

# **TITLE 50 STATE BOARD OF TAX COMMISSIONERS**

## **Final Rule** LSA Document #00-284(F)

### **DIGEST**

Adds 50 IAC 4.3 for the assessment of tangible personal property. Repeals 50 IAC 4.2-1, 50 IAC 4.2-2, 50 IAC 4.2-3-1, 50 IAC 4.2-3-2, 50 IAC 4.2-3-3, 50 IAC 4.2-4, 50 IAC 4.2-5, 50 IAC 4.2-6, 50 IAC 4.2-8, 50 IAC 4.2-9, 50 IAC 4.2-10, 50 IAC 4.2-11, 50 IAC 4.2-12, 50 IAC 4.2-14, 50 IAC 4.2-15, and 50 IAC 4.2-16. Partially effective 30 days after filing with the secretary of state and partially effective March 1, 2002.

SECTION 1. 50 IAC 4.3 IS ADDED TO READ AS FOLLOWS:

### **ARTICLE 4.3. ASSESSMENT OF TANGIBLE PERSONAL PROPERTY**

#### **Rule 1. Administration; Procedure; Applicability**

#### **50 IAC 4.3-1-1 Primary definitions**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1; IC 6-1.1-7; IC 6-1.1-8; IC 6-1.1-22-9; IC 6-6-5; IC 6-6-5.5

**Sec. 1. The following definitions apply throughout this article:**

- (1) "Assessed value" means an amount equal to one hundred percent (100%) of the true tax value of property as defined in subdivision (16).
- (2) "Assessment date" means March 1.
- (3) "Construction in process" means tangible personal property not placed in service. It includes tangible personal property that has not been depreciated and is not yet eligible for federal income tax depreciation. It does not include inventory, leased property, or returnable containers.
- (4) "Critical spare parts" means replacement parts that are not intended to ever be used. These parts are not readily available and the owner's books and records must reflect that they are not used in any type of regular rotation as repair parts and are in fact replacement parts only used under extraordinary circumstances.
- (5) "Depreciable personal property" means all tangible personal property as defined in subdivision (11), that is used in a trade or business, used for the production of income or held as an investment that should be or is subject to depreciation for federal income tax purposes, except to the extent that property is treated otherwise in this article.
- (6) "Filing date" means May 15 following the assessment date, unless an extension of time to file is obtained under IC 6-1.1-3-7(b). If the filing date falls on a Saturday, a Sunday, a national legal holiday recognized by the federal government, or a statewide holiday, the next succeeding business day that is not a Saturday, Sunday, or federal or state holiday becomes the filing date.
- (7) "Inventory" means the following:
  - (A) Property defined under IC 6-1.1-3-11, and includes the aggregate of those elements of cost incurred to acquire or produce items of tangible personal property as defined in subdivision (11), that are:
    - (i) held for sale in the ordinary course of business;
    - (ii) currently in the process of production for subsequent sale;
    - (iii) ultimately to be consumed in the production of the goods or services to be available for sale;
    - (iv) used in marketing or distribution activities; or
    - (v) critical spare parts.
  - (B) The term includes the following:
    - (i) Goods or commodities awaiting sale, which include, but are not limited to, the following:
      - (AA) The merchandise of a retail or wholesale concern.
      - (BB) The finished goods of a manufacturer.

(CC) Commodities from farms, mines, and quarries.

(DD) Goods that are used or trade-in merchandise and byproducts of a manufacturer.

(ii) Goods or commodities that are in the course of production at the Indiana location, that is, items needing further processing to be considered finished or ready for shipment.

(iii) Goods that will be consumed or used in either the Indiana manufacturing process or in any other manner by the taxpayer, directly or indirectly. This category would include, but not be limited to, the following:

(AA) Raw materials.

(BB) Supplies.

(CC) Repair parts.

(DD) Critical spare parts.

(EE) Expendable tools.

(FF) Samples.

(C) To the extent that critical spare parts are depreciated for federal tax purposes, they shall be treated as depreciable tangible personal property subject to 50 IAC 4.3-4.

(8) "Mobile vehicles" means vehicles assessed as depreciable personal property and not subject to excise tax that, by the nature of their existence, may not be located in the state on the assessment date.

(9) "Nonsubstantial compliance" means a tax return that:

(A) omits five percent (5%) or more of the cost per books of the tangible personal property at the location in the taxing district for which a return is filed;

(B) omits leased property, consigned inventory and other nonowned personal property where such omitted property exceeds five percent (5%) of the total assessed value of all reported personal property; or

(C) is filed with the intent to evade personal property taxes or assessment.

(10) "Original personal property return" means a personal property tax return filed with the proper assessing official by May 15, or if an extension is granted, the extended filing date.

(11) "Personal property" means the following:

(A) Property defined under IC 6-1.1-1-11. Included in this definition, and subject to taxation under this article, are:

(i) vehicles that are not registered and are used solely on the owner's property;

(ii) equipment attached to excise vehicles not used directly in the operation of the vehicle; and

(iii) nonautomotive equipment attached to excise vehicles.

(B) Excluded from this definition, and not subject to taxation under this article, are:

(i) utility property subject to taxation under IC 6-1.1-8;

(ii) mobile homes subject to taxation under IC 6-1.1-7;

(iii) household goods;

(iv) vehicles subject to commercial vehicles excise tax under IC 6-6-5.5; and

(v) vehicles subject to motor vehicle excise tax under IC 6-6-5.

(12) "Repair parts" means replacement parts that can reasonably be expected to be used. These parts are readily available to the taxpayer and are either used in a regular rotation or can be expected to be used in the operation of the business.

(13) "Resident" means a person or entity who has a primary dwelling or is incorporated within Indiana.

(14) "Tax payment date" means May 10 and November 10 in the year subsequent to the assessment date as defined under IC 6-1.1-22-9. If any tax payment date falls on a Saturday, a Sunday, a national legal holiday recognized by the federal government, or a statewide holiday, the next succeeding business day that is not a Saturday, Sunday, or federal or state holiday becomes the tax payment date.

(15) "Taxing district" means an area within the state having tax levies and rates different from the tax levies and rates in other areas of the state.

(16) "True tax value" means the resultant value of property determined in accordance with this article.

*(State Board of Tax Commissioners; 50 IAC 4.3-1-1)*

## **50 IAC 4.3-1-2 Powers and duties of state board of tax commissioners**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-1

**Sec. 2.** The state board of tax commissioners (hereafter state board) is responsible under Indiana law for

promulgating rules, appraisal manuals, instructional bulletins, directives, returns and forms to govern the assessment of personal property subject to the ad valorem (tax on value) property tax. Duly appointed personnel of the state board have the responsibility for holding hearings and recommending changes in the assessment of the taxpayer's property. The state board may reconsider the evidence submitted at the original hearing or consider additional information submitted after the original hearing. The state board has the administrative authority to determine the final assessment of personal property. (*State Board of Tax Commissioners; 50 IAC 4.3-1-2*)

#### **50 IAC 4.3-1-3 All property taxable**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1; Article 10, Section 1 of the Indiana Constitution

**Sec. 3.** Generally, all tangible property shall be taxed as either personal property, real estate, public utility, commercial vessel, mobile home, motor vehicle excise, commercial vehicle excise, aircraft excise, or subject to financial institutions tax unless specifically exempted by law. (*State Board of Tax Commissioners; 50 IAC 4.3-1-3*)

#### **50 IAC 4.3-1-4 Amendments to rules**

Authority: IC 6-1.1-31-1

Affected: IC 4-22-2

**Sec. 4.** This article may be amended in whole or in part at the discretion of the state board. The procedure for the amendment is specified in IC 4-22-2. (*State Board of Tax Commissioners; 50 IAC 4.3-1-4*)

#### **50 IAC 4.3-1-5 Instructional bulletins**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

**Sec. 5. (a)** The state board may issue instructional bulletins that will be published in the Indiana Register as nonrule policy statements. The instructional bulletins, designated I-02-1, I-02-2, etc., instruct taxing officials of their duties and provide administrative forms to be used by taxpayers and local assessing officials as required by the various rules of the state board. These instructional bulletins will be effective for the year designated and will remain in effect for later tax years unless specifically rescinded or revised by subsequent instructional bulletins.

**(b)** Copies of instructional bulletins issued pursuant to this article may be obtained for a fee per page, as established by the department of administration, plus mailing costs by contacting:

State Board of Tax Commissioners

100 North Senate Avenue, Room 1058

Indianapolis, Indiana 46204

(*State Board of Tax Commissioners; 50 IAC 4.3-1-5*)

#### **50 IAC 4.3-1-6 Administrative adjudications by state board; effect**

Authority: IC 6-1.1-31-1

Affected: IC 4-21.5

**Sec. 6. (a)** The state board may, at its discretion, issue an “administrative adjudication determination” on the ad valorem tax consequences of a taxpayer’s proposed transaction or unusual circumstances prior to the filing date of May 15 for the assessment year in question. If the taxpayer has received an extension for filing from the assessor, the date shown in the assessor’s letter of extension will be the date used in this section. This “administrative adjudication determination” will be effective only for the tax year designated in the determination.

**(b)** The taxpayer should make a written request not later than March 31 of the assessment year in question stating all the facts and circumstances that affect the transaction on which a determination is requested.

**(c)** The “administrative adjudication determination”, as issued by the state board, will be in writing and executed by a quorum of the members of the state board.

(d) The taxpayer may rely upon the “administrative adjudication determination” for the tax year designated. The “administrative adjudication determination” as granted is conditioned upon the following:

- (1) That the facts and circumstances as represented by the taxpayer in the request are accurate.
- (2) That all facts and circumstances related to the transaction have been disclosed to the state board.

*(State Board of Tax Commissioners; 50 IAC 4.3-1-6)*

#### **50 IAC 4.3-1-7 Practice before state board**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-1

**Sec. 7. The practice of taxpayer representatives in proceedings before local officials and the state board are governed by 50 IAC 15-5.** *(State Board of Tax Commissioners; 50 IAC 4.3-1-7)*

#### **50 IAC 4.3-1-8 Applicability**

Authority: IC 6-1.1-31-1; IC 6-1.1-31-7

Affected: IC 6-1.1-3

**Sec. 8. (a) This article applies to the assessment of all tangible personal property under IC 6-1.1-3.**

**(b) All tangible personal property assessed after February 28, 2002, must be assessed in accordance with this article.** *(State Board of Tax Commissioners; 50 IAC 4.3-1-8)*

#### **50 IAC 4.3-1-9 United States Code citations**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-1

**Sec. 9. All references to the United States Code in this Article refer to the version in effect on November 6, 2001.** *(State Board of Tax Commissioners; 50 IAC 4.3-1-9)*

### **Rule 2. Filing Requirements**

#### **50 IAC 4.3-2-1 Place of filing; assessment**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-20; IC 6-1.1-3-1; IC 6-1.1-3-10

**Sec. 1. (a) A personal property tax return must be filed in each taxing district where property is located or held on March 1, subject to the qualifications contained in this article. A return may cover all business locations in a single taxing district. However, if the property is located in two (2) or more taxing districts within the same township, a separate return must be filed reporting the property in each of the taxing districts.**

**(b) Personal property owned by a person who is a resident of this state shall be assessed at the place where the owner is a “resident”. If personal property is regularly used, permanently located or held on the assessment date at a location in the state other than where the owner is a “resident”, the assessment shall be made in such location. “Mobile vehicles” regularly used or regularly located in Indiana such that they have a substantial nexus with this state but that are at a location outside of the state on the assessment date shall be assessed where they are regularly used or located.**

**(c) Personal property owned by a person who is a nonresident of this state shall be assessed at the place where the owner’s principal office is located within this state. If personal property is regularly used, permanently located or held on the assessment date at a location in the state other than where the owner has its principal office, the assessment shall be made in such location. When the owner does not have a principal office in the state, the property will be assessed where located on the assessment date.**

**(d) To the extent that “residence” determines the place of assessment of personal property held by a fiduciary in its fiduciary capacity, the residence of the fiduciary shall govern, except that in the assessment of personal property of an estate of a deceased person, the “actual residence” in this state of the deceased person immediately**

before death shall be the place of assessment until such property has been distributed.

(e) If a controversy arises concerning the appropriate taxing district for assessing personal property, the determination made as follows shall be final:

(1) The county assessor shall determine the correct taxing district for assessment purposes if a question arises as to the appropriate taxing district within the county.

(2) The state board shall determine the proper county for assessment if the question arises as to which county within the state is the proper tax situs.

*(State Board of Tax Commissioners; 50 IAC 4.3-2-1)*

#### **50 IAC 4.3-2-2 Who must file**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-2-4; IC 6-1.1-3-7

**Sec. 2.** Every person, as defined in IC 6-1.1-1-10, including any firm, company, partnership, association, corporation, fiduciary, or individual owning, holding, possessing or controlling personal property with a tax situs within the state on March 1 of any year is required to file a personal property tax return on or before May 15 of that year unless an extension of time to file a return is obtained pursuant to section 3 of this rule. The obligation to file a return is not diminished or affected by the failure of an assessor to deliver or mail forms to a taxpayer. It is the responsibility of the taxpayer to obtain forms from the assessor and file a timely return in compliance with this article. *(State Board of Tax Commissioners; 50 IAC 4.3-2-2)*

#### **50 IAC 4.3-2-3 Time to file returns**

Affected: IC 6-1.1-3-7

Authority: IC 6-1.1-31-1

**Sec. 3. (a)** File returns on or before May 15 of each year.

(b) An extension of time to file a return of up to thirty (30) days may be granted provided the extension is requested in writing before the statutory filing date (May 15). If the extended filing date falls on a Saturday, a Sunday, a national legal holiday recognized by the federal government, or a statewide holiday, the return is timely if filed by the next succeeding day that is not a Saturday, a Sunday, or a federal or state holiday.

(c) The request must be made to the assessor with whom the return should be filed. The request must clearly state the reason for the extension. The assessor may, at the assessor's discretion, approve the request and shall notify the taxpayer in writing if approved. A copy of the approved request must be attached to each taxpayer's return required to be filed. *(State Board of Tax Commissioners; 50 IAC 4.3-2-3)*

#### **50 IAC 4.3-2-4 Full disclosure**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-7; IC 6-1.1-3-9

**Sec. 4. (a)** Full disclosure is required as defined under IC 6-1.1-3-9.

(b) The owner of any personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation on the owner's personal property tax return. In addition to the reporting requirement in subsection (a), the owner of property, under circumstances in which possession is transferred to another person, but ownership is retained, shall be required to furnish in the taxing district where the property is located a complete listing of such property showing the name and address of person in possession, model, description, location, quantities, date of installation, and value per this article reported for assessment and taxation. This listing is required in order to provide a means of verification and cross reference by the assessing official that all property is being properly reported for assessment and taxation. (See special instructions in 50 IAC 4.3-8 for reporting leased personal property.)

(c) The person holding, possessing or controlling, in any capacity, any tangible property that is subject to

taxation under this article is required to file and attach with the return a complete listing of all not owned property. The listing is to be filed in the taxing district where the property is located and must include the name and address of the owner, model, description, location, quantities on hand, date of installation, value (if known) per this article and any other information requested on the appropriate form. This listing is required to be filed by the possessor even if the owner is liable for the taxes under a contract, thereby assuring that the assessing official has the necessary information to correctly assess the property in question. (See special instructions in 50 IAC 4.3-8 for reporting leased personal property.) *(State Board of Tax Commissioners; 50 IAC 4.3-2-4)*

#### **50 IAC 4.3-2-5 Returns filed in duplicate**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-7

Sec. 5. (a) When the assessed value of the personal property declared on all returns filed in a taxing district by a taxpayer is one hundred fifty thousand dollars (\$150,000) or more, each return must be filed in duplicate. A legible, reproduced copy will be acceptable for this requirement.

(b) Returns forwarded to county assessor. Whether or not a taxpayer has filed the return in duplicate, each assessor of a township must forward to the county assessor, on or before July 31 of each year, a copy of each personal property tax return filed by a taxpayer who has a total assessed valuation declared on returns filed in a taxing district of one hundred fifty thousand dollars (\$150,000) or more.

(c) Returns forwarded to the state board by county assessor. The county assessor shall forward to the state board, on or before August 31 of each year, a copy of all duplicate returns forwarded to the county assessor by the township assessors as provided in subsection (b). *(State Board of Tax Commissioners; 50 IAC 4.3-2-5)*

#### **50 IAC 4.3-2-6 Short form returns**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-7

Sec. 6. When the assessed value of personal property required to be reported in a township is less than one hundred fifty thousand dollars (\$150,000), the taxpayer may elect to file Form 103-Short Form if:

- (1) the business is not a manufacturer or processor;
- (2) no elections are made to utilize the "average" inventory reporting method;
- (3) no exemptions or deductions (other than the enterprise zone credit) are claimed that affect the business personal property assessment; and
- (4) no special valuation adjustments such as equipment not placed in service, permanently retired equipment, or abnormal obsolescence are claimed in determining the value of the business personal property.

*(State Board of Tax Commissioners; 50 IAC 4.3-2-6)*

#### **50 IAC 4.3-2-7 Authorized forms**

Authority: IC 6-1.1-31-1

Affected: IC 4-10-13-5; IC 6-1.1-3; IC 6-1.1-35-9; IC 6-1.1-37-3

Sec. 7. (a) The state board is required by statute to adopt tax return forms and schedules for personal property assessment purposes.

(b) The following are the authorized return forms provided for personal property assessment purposes pursuant to this article:

Form #	Form Description
101	Individual Tangible Personal Property Return
102	Confidential Farmers Tangible Personal Property Return
103/C	Consolidated Return
103/S	Short Form Confidential Business Tangible Personal Property Return

<b>103/L</b>	<b>Long Form Confidential Business Tangible Personal Property Return</b>
<b>103-I</b>	<b>Confidential Return of Commercial Airline Carriers and Buslines</b>
<b>103-N</b>	<b>Return of Not Owned Personal Property</b>
<b>103-O</b>	<b>Return of Owned Personal Property Not in Possession of Owner</b>
<b>103-P</b>	<b>Confidential Claim for Exemption of Air or Water Pollution Control Facilities</b>
<b>103-T</b>	<b>Confidential Return of Special Tools</b>
<b>103-W</b>	<b>Confidential Return of Personal Property in Warehouses, Grain Elevators or Other Storage Places claimed to be Exempt from Assessment</b>
<b>104</b>	<b>Business Tangible Personal Property Return</b>
<b>105</b>	<b>Business Tangible Personal Property Summary of Returns (To be filed directly with State Board of Tax Commissioners)</b>
<b>106</b>	<b>Schedule of Adjustments to Business Tangible Personal Property</b>

(c) In lieu of using the actual return form prescribed in subsection (b), a taxpayer may use a computer or machine prepared substitute tax return form or schedule provided that the substitute:

- (1) contains all of the information as set forth in the prescribed form;
- (2) properly identifies the form or schedule being substituted; and
- (3) is approved by the state board.

(d) The following are authorized administrative forms provided for personal property assessment purposes pursuant to this article:

<b>Form Number</b>	<b>Form Description</b>
<b>111/PP</b>	<b>Notice of Review of Current Year's Assessment for Personal Property by Township Assessor or Property Tax Assessment Board of Appeals</b>
<b>113/PP</b>	<b>Notice of Assessment or Change in Assessment by Assessing Official</b>
<b>114/PP</b>	<b>Notice of Hearing on Petition by PTABOA</b>
<b>115</b>	<b>Notice of Final Assessment Determination by PTABOA</b>
<b>116</b>	<b>Notice of Hearing and Review of Assessment by State Board of Tax of Commissioners</b>
<b>117</b>	<b>Notice of Hearing on Petition By State Board of Tax Commissioners</b>
<b>118</b>	<b>Notice of Final Assessment Determination by State Board of Tax Commissioners</b>
<b>130/PP</b>	<b>Petition to the PTABOA for Review of Assessment</b>
<b>131/PP</b>	<b>Petition to the State Board of Tax Commissioners for Review of Assessment</b>
<b>133</b>	<b>Petition for Correction of Error</b>

322 ERA/PPME	Application for Deduction from Assessed Valuation - New Manufacturing Equipment in Economic Revitalization Area (ERA)
322 ERA/PPR& DE	Application for Deduction from Assessed Valuation - New Research and Development Equipment in Economic Revitalization Area (ERA)
CF-1	Compliance with Statement of Benefits (ERA)
SB-1	Statement of Benefits (ERA)
MOD-1	Maritime Opportunity District Personal Property Tax Credit
EZ1	Enterprise Zone Business Personal Property Tax Credit
IR-1	Industrial Recovery Site Inventory Tax Credit
17-T	Petition for Refund of Taxes (Prescribed by the State Board of Accounts)

(e) Every person required to file a personal property tax return pursuant to section 2 of this rule must report all personal property as defined in 50 IAC 4.3-1-1(11), on the authorized form. The return forms as listed in subsections (b) and (d) do not constitute a return unless signed under the penalties of perjury by a person authorized to file such return.

(f) Prescribed Forms 102, 103, 103-I, 103-N, 103-O, 103-P, 103-T, 103-W, and 106, together with any schedules or other information attached thereto, are confidential and shall not be disclosed to any person unless specifically authorized by law. For further information on confidentiality see IC 6-1.1-35-9.

(g) Personal property is a self-assessment method of taxation requiring the taxpayer to complete the assessment return in accordance with the rules prescribed by the state board.

(h) The township assessor's responsibility is defined in IC 6-1.1-3-6, IC 6-1.1-3-7, and IC 6-1.1-3-14. This language clearly demonstrates that personal property returns are required to be self-assessment returns prepared and signed by the taxpayer (authorized person) "under the penalties of perjury" that it "is a true, correct and complete" return and that it is prepared in accordance with IC 6-1.1 et seq. as amended, and rules promulgated with respect thereto.

(i) The taxpayer is responsible for the accuracy of the information on the return and for assuring that it is a complete return that has been prepared in accordance with the law and rules of the state board.

(j) The township assessor should provide whatever assistance is reasonable and necessary to ensure that the taxpayer may file a correct tax return. This would include:

- (1) furnishing copies of assessment return forms;
- (2) providing copies of this article and amendments;
- (3) providing copies of rules and instructional bulletins applicable to that business (for example, 50 IAC 4.3-15-7, for petroleum prices prescribed); and
- (4) answering any questions on how to properly file an assessment return.

If a taxpayer requests assistance in the preparation of a return because the taxpayer does not understand how to complete the form, the official should explain each step to the taxpayer. In no instance should the official fill out the return for the taxpayer. The taxpayer should complete and be responsible for all information on the return. The taxpayer must sign and date the return in all cases. (*State Board of Tax Commissioners; 50 IAC 4.3-2-7*)

## 50 IAC 4.3-2-8 Penalties



Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-7; IC 6-1.1-3-9; IC 6-1.1-5-13; IC 6-1.1-15-5; IC 6-1.1-37-7

**Sec. 8. (a) Any person who willfully makes and subscribes any return, statement or other document that is verified under oath, which is certified as to the truth of the information occurring thereon or which contains a written declaration that is made under the penalties of perjury and which they do not believe to be true and correct in every material respect shall be guilty of a crime and shall be subject to the same penalties as provided by law for perjury.**

**(b) The incomplete return penalty is defined in IC 6-1.1-37-7(d). The purpose of this penalty is to require a full disclosure of the information related to the value, nature, or location of personal property on the personal property tax return for that year which is necessary for an assessing official to review the return. If this information is not provided, a thorough review of the return as required by law cannot take place.**

**(c) The penalty for failure to file a timely return is defined in IC 6-1.1-37-7(a). No return shall be considered due within the meaning of this article until the expiration of a period of any extension of time which may have been granted pursuant to section 3 of this rule.**

**(d) The undervaluation penalty is defined in IC 6-1.1-37-7(e).**

**(1) The purpose of the twenty percent (20%) penalty is to ensure a complete disclosure of all information required by the state board on the prescribed self-assessment personal property forms. This enables the township assessor, county property tax assessment board of appeals, and state board to carry out their statutory duties of examining returns each year to determine if they substantially comply with the rules of the state board. This examination cannot take place if all required information is not shown on the self-assessment return form.**

**(2) It is not the purpose of this provision to impose a penalty on a person who has made a complete disclosure of information required on the assessment return form. Therefore, if the person filing the self-assessment personal property return shows that they are claiming an exemption or taking an adjustment for abnormal obsolescence or permanently retired equipment on the return form and has complied with all of the requirements for claiming that exemption or adjustment, no penalty should be added to the extent of the amounts accounted for on the return form. In considering whether or not a taxpayer has made a full and complete disclosure of information, the complete return package must be considered. A complete return package consists of the return form itself (Form 102 or 103), and all necessary supplemental forms and supporting schedules which must be filed with the return.**

**(3) If a person has complied with all of the requirements for claiming an exemption or adjustment for abnormal obsolescence or permanently retired equipment, then the increase in assessed value that results from a denial of the exemption or change in the amount of adjustment is considered to be an interpretive difference not subject to the twenty percent (20%) penalty for undervaluation for purposes of this subsection. However, all other amounts not fully disclosed through omission or undervaluation which represent property subject to the reporting requirements of this article and the laws of this state are subject to the twenty percent (20%) penalty.**

**(A) An exemption is defined as a situation where a certain type of property, or the property of a certain kind of taxpayer, is not taxable (IC 6-1.1-1-6). There are three (3) basic types of exemptions which are permitted to be claimed on the annual business personal property return that are available to a taxpayer. These exemptions include:**

- (i) air pollution control equipment;**
- (ii) industrial waste control equipment; and**
- (iii) inventory exemptions, including:**
  - (a) interstate commerce; and**
  - (b) government-owned.**

**(B) It should be noted that when the reporting requirements have been met, but for some reason the exemption is not allowed, the amount disallowed is an interpretive difference and is not subject to the omitted or undervalued personal property tax penalty. However, when items that would otherwise qualify for an exemption are omitted from the return, the property is taxable, because the exemption was waived, and the omitted and undervalued personal property tax penalty must be applied.**

**(C) Allowable adjustments can be defined as an adjustment that affects the value of personal property when the adjustment is truly elective. The taxpayer must elect the adjustment when the return is filed. If the taxpayer fails to properly elect the adjustment when the return is filed, the taxpayer is not entitled to the adjustment. The**

adjustment is not mandatory. The allowable adjustments are:

- (i) average inventory adjustment; and
- (ii) elective inventory valuation method.

(4) Mandatory adjustments reflect the value of personal property required to be reported in conformity with the provisions of this article. Therefore, regardless of whether the taxpayer shows the adjustment in their tax return, the assessing official must make the adjustment in order to arrive at the proper value for assessment purposes per the provisions of this article. Permanently retired equipment and abnormal obsolescence are adjustments which should be recognized to the extent that the property qualifies and the taxpayer is able to substantiate the facts, circumstances, and amount of the claim in order to properly determine the true tax value of the subject property.

(A) The mandatory adjustments for depreciable assets include:

- (i) adjust to federal tax basis;
- (ii) add fully depreciated property still in use but written off;
- (iii) add cost of installation and foundation applicable to depreciable personal property;
- (iv) equipment not placed in service;
- (v) permanently retired equipment;
- (vi) valuation of commercial aircraft and commercial buslines;
- (vii) abnormal obsolescence;
- (viii) percent good factors applicable to each year's acquisitions; and
- (ix) placement by year of acquisition in the proper pool based upon life utilized for computing cost recovery (depreciation) for federal tax purposes.

(B) The mandatory adjustments for inventory include:

- (i) adjust book inventory to March 1;
- (ii) add unrecorded inventory;
- (iii) adjust to "first-in-first-out" (FIFO);
- (iv) add manufacturing overhead not included in inventory;
- (v) add freight-in not included in inventory;
- (vi) add royalties, editorial, license, or copyright fees not included in inventory;
- (vii) add taxes not included in inventory;
- (viii) deduct inventory recorded but not received;
- (ix) deduct purchase or trade discounts; and
- (x) adjustment from standard to actual cost.

With the exception of the valuation of permanently retired equipment and abnormal obsolescence, mandatory adjustments for depreciable assets and inventory are not interpretive differences. They are adjustments which must be applied to any omitted or undervalued property when discovered. Any resulting differences in assessment between the amount reported by the taxpayer and the amount of assessment determined by the assessing official after making all mandatory adjustments is subject to the twenty percent (20%) penalty, while interpretive differences and math errors on the face of the return are not subject to the penalty.

(e) A penalty is due with an installment under subsection (b), (c), or (d) whether or not an appeal is filed under IC 6-1.1-15-5 with respect to the tax due on that installment. (*State Board of Tax Commissioners; 50 IAC 4.3-2-8*)

#### **50 IAC 4.3-2-9 Interest**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-22-9; IC 6-1.1-37; IC 33-3-5-11

**Sec. 9. (a) Interest shall apply on taxes due when:**

- (1) an assessment is made or increased after the date on which the taxes were originally due for the year for which the assessment is made;
- (2) the assessment upon which the taxpayer has been paying taxes is less than the assessment that results from the final determination of the petition for review or of the appeal to court; or
- (3) the collection of property taxes has been enjoined under IC 33-3-5-11.

(b) A taxpayer shall pay taxes and interest with respect to an action or determination described in subsection

(a) on or before:

(1) the next May 10; or

(2) the next November 10;

whichever occurs first. *(State Board of Tax Commissioners; 50 IAC 4.3-2-9)*

#### **50 IAC 4.3-2-10 Amended returns**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-7; IC 6-1.1-3-7.5

**Sec. 10. (a)** A taxpayer may file an amended personal property tax return not more than six (6) months after the later of the following:

(1) If no extension was granted under IC 6-1.1-3-7(b), an amended return must be filed before November 16 of the year in which the original personal property tax return was filed.

(2) If an extension was granted under IC 6-1.1-3-7(b), an amended return must be filed within 6 months of the extended filing date.

(b) A taxpayer who files a personal property tax return under IC 6-1.1-3 may file no more than one (1) amended return under IC 6-1.1-3-7.5.

(c) A taxpayer may claim on an amended personal property tax return any adjustment or exemption that would have been allowable as if the adjustment or exemption had been claimed on the original personal property return.

(d) In no case will a taxpayer be allowed to file an amended return if the original return was not filed by May 15 or, in the case of an extension, by the extended filing date.

(e) A taxpayer must file the amended return on the same form prescribed by the state board for the filing of an original personal property return, indicating that it is “amended” in a conspicuous place on the front of the return. The amended personal property return must be completed and filed with the township assessor in the same manner as is required for the original personal property return.

(f) Notwithstanding the provisions of this article, an amended return remains subject to the review and adjustment of assessing officials in same manner as original personal property returns.

(g) The township assessor must report the assessed value resulting from amended return to the county auditor on forms prescribed by the state board.

(h) Within ten (10) days of receipt of a report submitted under subsection (e), the county auditor shall reflect the assessed value resulting from amended returns on the auditor’s records of assessed valuation. *(State Board of Tax Commissioners; 50 IAC 4.3-2-10)*

#### **50 IAC 4.3-2-11 Additional filing requirements**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-7

**Sec. 11.** Every taxpayer required by statute or this article to file in more than one (1) taxing district in the state shall be required to file a Summary of Returns, Form 105, directly with the state board by July 15 of the year the assessment is made. This form must indicate the taxing districts where returns are required to be filed and the assessed values reported to the local assessor. This requirement is in addition to all other requirements imposed by law and this article relating to the filing of personal property tax forms and returns. *(State Board of Tax Commissioners; 50 IAC 4.3-2-11)*

### **Rule 3. Review and Appeal Procedures**

#### **50 IAC 4.3-3-1 Township assessor review**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-14; IC 6-1.1-3-15; IC 6-1.1-9-3; IC 6-1.1-15-1; IC 6-1.1-15-14; IC 6-1.1-16-1

**Sec. 1. (a)** The township assessor shall review returns as required under IC 6-1.1-3-14 and IC 6-1.1-3-15. The township assessor shall notify the taxpayer, on Form 113, if the assessor changes the assessment reported by the taxpayer on the return.

**(b)** The assessor may make an assessment of personal property if the assessor has sufficient information to indicate there is omitted property as described in IC 6-1.1-9-3(a).

**(c)** If a person owning, holding, possessing, or controlling any personal property fails to file a personal property return or list with the township assessor, the assessor may follow the procedures outlined in IC 6-1.1-3-15.

**(d)** As an alternative to the township assessor directly performing the duties under subsections (a) through (c), the township assessors may contract with a private vendor to perform these duties.

**(e)** A township or county assessing official must make a change in the assessed value and give notice of the change on or before the latter of:

**(1)** September 15 of the year for which the assessment is made; or

**(2)** four (4) months from the date the personal property return is filed;

if the return is filed after May 15 of the year for which the assessment is made provided the return has been filed in substantial compliance with this article. If the taxpayer has failed to file a return, a notice of assessment must be given within the ten (10) year period after the date on which the return should have been filed. If a fraudulent return has been filed, the assessor has no limitation of time within which to act. If the taxpayer fails to file a personal property return that substantially complies with the provisions of IC 6-1.1 and the rules of the state board, the assessment may be increased if notice is given within three (3) years after the date the return is filed.

**(f)** Upon receiving a notification of estimated value from the township assessor, the taxpayer may elect to file a personal property return within thirty (30) days from the date of the written notice of assessment by the assessor subject to the penalties imposed under 50 IAC 4.3-2-8. The notice shall instruct the taxpayer on the procedures necessary to obtain a review before the property tax assessment board of appeals. (*State Board of Tax Commissioners; 50 IAC 4.3-3-1*)

#### **50 IAC 4.3-3-2 Direct review of assessment by property tax assessment board of appeals**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3; IC 6-1.1-9; IC 6-1.1-13-1; IC 6-1.1-13-3; IC 6-1.1-15-1; IC 6-1.1-15-14; IC 6-1.1-16-1

**Sec. 2. (a)** The property tax assessment board of appeals may review, at its own discretion, any assessment of any taxpayer within the county as described in IC 6-1.1-13-3.

**(b)** The property tax assessment board of appeals may contract with a private vendor to assist in the review.

**(c)** The property tax assessment board of appeals shall give the proper notice as described in IC 6-1.1-13-1.

**(d)** After the property tax assessment board of appeals has completed the review of the taxpayer's assessment, it shall notify the taxpayer by mail of the assessment on Form 115.

**(e)** A property tax assessment board of appeals must make a change in the assessed value, including the final determination by the board of an assessment changed by a township or county assessing official, and give the notice of the change on or before the latter of:

**(1)** October 30 of the year for which the assessment is made; or

**(2)** five (5) months from the date the personal property return is filed;

if the return is filed after May 15 of the year for which the assessment is made provided the return has been filed in substantial compliance with this article. If the taxpayer fails to file a return, a notice of assessment must be given within the ten (10) year period after the date on which the return should have been filed. If a fraudulent return has been filed, there is no limitation of time within which it may act. If the taxpayer fails to file a personal property return that substantially complies with the provisions of this article, the assessment may be increased

if notice is given within three (3) years after the date the return is filed. (*State Board of Tax Commissioners; 50 IAC 4.3-3-2*)

**50 IAC 4.3-3-3 Direct review by state board**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-14-10; IC 6-1.1-15; IC 6-1.1-30

**Sec. 3. (a)** The state board, on its own initiative, may conduct an audit to review a taxpayer's personal property assessment under IC 6-1.1-14-10.

**(b)** A notice of audit of assessment on Form 116 will be mailed to the taxpayer advising the taxpayer at least ten (10) days in advance of the date, time and place of the scheduled audit.

**(c)** The taxpayer is required to make available to the auditor of the state board sufficient books, records, federal and state income tax returns and related data to determine the assessment of the property in question. If the books, records, tax returns and related data are not made available, a subpoena or a subpoena duces tecum will be issued to obtain this information unless in the judgment of the state board other action would be more appropriate.

**(d)** Upon the completion of the audit, the auditor from the state board shall make his findings and proposed assessed valuation known to the taxpayer.

**(e)** Upon the completion of the audit, the auditor from the state board shall make a report to the state board that includes recommendations and proposed assessed valuation. (*State Board of Tax Commissioners; 50 IAC 4.3-3-3*)

**50 IAC 4.3-3-4 Final determination of state board**

Authority: IC 6-1.1-31-1

Affected: IC 4-21.5; IC 6-1.1-15-4; IC 6-1.1-15-5; IC 6-1.1-30; IC 6-1.1-31

**Sec. 4. (a)** The report, proposed assessment, and related information shall be considered by the state board in determining the assessment of the taxpayer.

**(b)** If the taxpayer does not agree with the assessment recommended by the auditor, the taxpayer may petition the state board to consider additional information, provided that the petition is made before the determination of the final assessment.

**(c)** If the taxpayer wants a hearing, the taxpayer must submit a letter requesting an administrative hearing to the state board. Accompanying the letter should be a written brief or statement, along with any evidence, supporting the taxpayer's request for a hearing. The brief or statement should include a concise statement of the question in dispute and a summary of laws, regulations, and facts in support of such question.

**(d)** The state board may hold an administrative hearing or appoint personnel to hold an administrative hearing at its discretion provided that the taxpayer has properly requested a hearing and the state board determines that the taxpayer's facts and circumstances warrant an administrative hearing. The discussion at the hearing will be limited to the issues presented in the request for hearing unless, at the discretion of the state board, it determines other issues should be discussed.

**(e)** If a hearing is held by the state board, the board shall issue written findings of fact and conclusions of law related the administrative hearing.

**(f)** A written notice, Form 118, of the final assessment will be given to the taxpayer, township assessor, county assessor, and county auditor when an audit was conducted by state board on its own initiative.

**(g)** Any change in assessment by the state board must be made and the notice of the assessment sent not later

than October 1 of the year following the year of the assessment. If an extension of time to file was granted, the state board has sixteen (16) months from the date the personal property tax return was filed to change the assessment. This general statute of limitations does not apply in the following circumstances:

- (1) The taxpayer may petition for a correction of error if a statutory basis for the correction of error exists (as prescribed in section 6 of this rule).
- (2) There is a three (3) year limitation on the ability to change an assessment when a taxpayer has not filed a property tax return in substantial compliance with the provisions of this article.
- (3) When a taxpayer is required to file a tax return as provided by law under this article and fails to file a return.
- (4) A ten (10) year limitation on the ability to change an assessment when the taxpayer files a fraudulent personal property return, or files a return with the intent to evade the payment of property taxes.

*(State Board of Tax Commissioners; 50 IAC 4.3-3-4)*

#### **50 IAC 4.3-3-5 Appeal of assessments**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-15-1; IC 6-1.1-15-5; IC 6-1.1-22-9; IC 6-1.1-37; IC 33-3-5

**Sec. 5.** In the event the taxpayer does not agree with the assessment made by an assessing official, an appeal may be made as follows:

- (1) The taxpayer may appeal an assessment made by a township or county assessor to the county property tax assessment board of appeals by filing a Form 130, petition for review of assessment with the county assessor in the county where the property was assessed pursuant to IC 6-1.1-15-1(b).
- (2) If a taxpayer or township assessor or a member of a county property tax assessment board of appeals does not agree with an assessment as determined by the county property tax assessment board of appeals, a petition for review of assessment must be filed on Form 131, with the county assessor of the respective county requesting a review by the Indiana board of tax review pursuant to IC 6-1.1-15-3(c).
- (3) Appeal to the Indiana tax court under IC 6-1.1-15-5.

*(State Board of Tax Commissioners; 50 IAC 4.3-3-5)*

#### **50 IAC 4.3-3-6 Petition for correction of error**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-15-12

**Sec. 6.** If a taxpayer files a petition for correction of error (Form 133) with respect to a personal property assessment for years before March 1, 2002, the taxpayer opens that entire assessment to review. If errors other than those identified by the taxpayer are found in the process of review, they can be corrected, regardless of the net effect on the assessment. A taxpayer who claims that an error in an assessment entitles the taxpayer to a refund, the taxpayer must file both a Form 133, for correction of the assessment, and a Form 17T, for a refund. For more details and specific information on this process see IC 6-1.1-15-12. *(State Board of Tax Commissioners; 50 IAC 4.3-3-6)*

### **Rule 4. Valuation of Depreciable Tangible Personal Property**

#### **50 IAC 4.3-4-1 “Depreciable personal property” defined**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-11

**Sec. 1.** As used in this rule, “depreciable personal property” means all tangible personal property defined in 50 IAC 4.3-1-1(5) that is used in a trade or business, used for the production of income, or held as an investment that is subject to depreciation for federal income tax purposes, except to the extent that property is treated otherwise in this article. *(State Board of Tax Commissioners; 50 IAC 4.3-4-1)*

#### **50 IAC 4.3-4-2 Book cost determinative**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

**Sec. 2. (a)** The cost of depreciable property, both real and personal, shall be the total amount as recorded on

the taxpayer's books and records as of the assessment date, and must be utilized in determining the value of the depreciable personal property, except as provided in section 3 of this rule.

(b) Per the provisions of this article the cost of depreciable personal property must include, but is not limited to, the following:

(1) Direct costs and an appropriate portion of indirect costs attributable to its production or acquisition and preparation for use. These costs include, but are not limited to, the following:

- (A) The purchase price.
- (B) Transportation costs to the place of use.
- (C) Installation costs.
- (D) Foundations and electrical wiring.
- (E) Interest incurred during construction and installation.
- (F) Sales tax.

(2) If the asset is constructed by the company, the original cost must be made up of, but not limited to, the following costs:

- (A) Direct and indirect labor costs and fringe benefits.
- (B) Direct material costs.
- (C) Designing.
- (D) Supervision.
- (E) Insurance.
- (F) Depreciation of equipment used in construction.
- (G) Claims for damage during construction not compensated by insurance.
- (H) Taxes during construction.
- (I) Interest incurred during construction.
- (J) Sales taxes.
- (K) Other costs directly chargeable to construction.

(3) If the asset is constructed by the company, the original cost should not include the following costs:

- (A) Profit should not be added to the actual costs since the company cannot make a profit on itself.
- (B) Any credits in the form of sales of scrap materials, discounts received on purchases of materials, and return premiums on surrender of insurance policies should be subtracted from the gross costs of construction to determine the actual cost of the asset.

(4) The allocation of interest incurred during construction and installation must be made (capitalized) for personal property tax purposes regardless of how the property is required to be treated under federal income tax laws.

(c) The cost of additions and betterments must be added to the original cost of the asset. If an additional part is added or some other change is made in the fixed asset that increases its estimated useful life, its production capacity or efficiency, or changes it to a different use, such an expenditure is a betterment and should be capitalized by adding it to the original cost of the asset. If a part is replaced with a similar part, the new part would be shown as a new acquisition while the part replaced would be removed from the original cost of the asset. The cost of additions, betterments, or replacements would be reported as an addition, betterment, or replacement in the year the actual expenditure occurred.

(d) In the event a taxpayer cannot determine from the taxpayer's books and records the cost of the depreciable property on the assessment date, the taxpayer must use the following procedure:

- (1) The book cost as of the close of the annual financial period immediately prior to the assessment date and so indicate on the return.
- (2) This book cost will then be adjusted to reflect all acquisitions and disposals that have occurred between such date and the assessment date.
- (3) This adjustment should be taken as provided in section 5 of this rule.
- (4) Add installation costs and foundations applicable to machinery and equipment.

These additions shall be reported and assessed on the same basis as the asset to which they apply.

(e) A taxpayer must be able to reconcile the cost of the depreciable personal property reported with the cost

of all depreciable property as recorded on the taxpayer's books and records on the assessment date.

(f) Taxpayers with locations in more than one (1) taxing district in this state may fulfill the requirements of this section by making one (1) computation as required in subsection (e) for the entire state, provided that the cost of the depreciable personal property for each taxing district where the taxpayer has property on the assessment date is identified in such computation. (*State Board of Tax Commissioners; 50 IAC 4.3-4-2*)

#### **50 IAC 4.3-4-3 Fully depreciated, retired, or nominally valued property; report and valuation**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

**Sec. 3. (a)** Depreciable personal property, as defined in 50 IAC 4.3-1-1(5), not retired from use must be reported whether or not the cost of such property has been removed from, recorded on, or recorded at a nominal value on the taxpayer's books and records.

(b) Any fully-depreciated personal property that has been written off the taxpayer's books and records, is at the tax situs, and not permanently retired on the assessment date must be reported on the return. The cost of such property must be clearly shown as an adjustment as provided on the tax return as provided in section 5 of this rule.

(c) As used in this rule, "permanently retired depreciable personal property" means property that has been removed from the manufacturing process, or has been removed from service other than manufacturing, on the assessment date. In addition, if it is awaiting disposition, or scheduled to be scrapped, removed, or disposed of, it will be considered to be permanently retired providing the taxpayer actually scraps or sells such property. If a taxpayer has permanently retired depreciable property, the following applies;

(1) Depreciable personal property that is on hand, included in the book cost as reported by the taxpayer, and permanently retired on the assessment date may be adjusted in the following manner:

(A) The book cost of permanently retired depreciable property can be taken as an adjustment from the total book cost provided the cost of such property is included in the total book cost.

(B) In order to qualify for this adjustment, a taxpayer will need to substantiate that the property was permanently retired and not in use.

(2) Permanently retired depreciable personal property should be valued at its net scrap or net sale value. The valuation of this property should be shown separately on the tax return.

(d) Depreciable personal property recorded on the books and records at a nominal or no value must be reported at its year of acquisition insurable value. This category of property would include, but is not limited to, bulk purchase or the acquisition of a going business concern. (*State Board of Tax Commissioners; 50 IAC 4.3-4-3*)

#### **50 IAC 4.3-4-4 Computer equipment; report and valuation**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

**Sec. 4. (a)** Computer equipment is made up of the following elements, as used in this rule:

(1) "Hardware" means physical equipment used for input, processing, and output activities in an information system. It is composed of mechanical, magnetic, and electronic devices and other components which constitute the physical computer assembly.

(2) "System software" means a set of generalized programs that manage the computer's resources, such as the central processor, communication links, and peripheral devices. It is not normally accessible or modifiable by the user. Also system software may be referred to as the operating system.

(3) "Application software" means programs written for a specific application to perform functions specified by end users.

(b) Computer hardware and system software must be reported at the actual acquisition cost regardless of how it may be valued on the taxpayers books and records. If the value for computer equipment recorded on the books and records reflects charges for customer support services, such as educational services, maintenance, or application software, that relate to future periods and not to the value of the tangible personal property, such



charges may be deducted as intangible personal property to the extent that a separate charge or value can be identified. (*State Board of Tax Commissioners; 50 IAC 4.3-4-4*)

#### **50 IAC 4.3-4-5 Adjustments to cost**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 5. (a) The adjusted costs of the assessable depreciable personal property as computed in subsection (d), must be reported at the tax basis of such property as defined in 26 U.S.C. § 1012, without any adjustments that may be authorized under federal income tax laws concerning:

- (1) 26 U.S.C. § 167 (depreciation);
- (2) 26 U.S.C. § 179 (expense deduction);
- (3) any credits (such as investment tax credit) that diminished the cost basis of the property;
- (4) the value of any trade-in property; or
- (5) any other assessable property that is allowed to be expensed under federal income tax laws.

Therefore, if the tax basis of the taxpayer's assessable depreciable personal property is different than the cost per books of such property, except for the depreciable personal property defined and required to be reported by section 3 of this rule, an adjustment must be made to the cost per books of the assessable personal property reported in Indiana.

(b) The adjustment from book to tax basis must be computed on Form 106 and shown on line 2 of Form 103-Long, Schedule A.

(c) This adjustment is required to be made regardless of whether it is an increase or decrease from the cost per books.

(d) Other adjustments include deducting the cost of the following types of property:

- (1) Air pollution control system.
- (2) Industrial waste control facility.
- (3) Real property.
- (4) Airplanes subject to excise tax.
- (5) Vehicles subject to excise tax.

(e) The adjusted cost of depreciable personal property, is the resultant amount obtained by adjusting the cost per books, as defined in section 2 of this rule, by all adjustments within this section. (*State Board of Tax Commissioners; 50 IAC 4.3-4-5*)

#### **50 IAC 4.3-4-6 Pools of property; determination of costs by acquisition year**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 6. (a) The adjusted cost of depreciable personal property, as computed in section 5 of this rule, is required to be segregated into four (4) separate pools. The depreciable life utilized for federal income tax purposes determines the pool to be utilized for Indiana property tax purposes. The pools are as follows:

- (1) Pool No. 1: All assets that have a life of one (1) through four (4) years.
- (2) Pool No. 2: All assets that have a life of five (5) through eight (8) years.
- (3) Pool No. 3: All assets that have a life of nine (9) through twelve (12) years.
- (4) Pool No. 4: All assets that have a thirteen (13) year or longer life.

(b) "Depreciable life" means the life used to determine the proper selection of the pool in which an asset must be included. It is based upon the life utilized to compute depreciation on the federal income tax return of the taxpayer unless the following occurs:

- (1) The state board determines that such life is either unrealistic in relation to all of the taxpayer's facts and circumstances or the life used on the federal tax return has been changed by the Internal Revenue Service on audit.
- (2) The lives used by taxpayers in the state for a particular category of assets are varied and the state board,

in order to obtain equalization in assessments, determines that a uniform life should be used by all taxpayers in the state pursuant to 50 IAC 4.3-7-2.

(State Board of Tax Commissioners; 50 IAC 4.3-4-6)

**50 IAC 4.3-4-7 Determination of the year of acquisition**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 7. (a) After calculating the total adjusted cost of depreciable tangible personal property, as provided in section 5 of this rule, it is necessary to determine the cost by year of acquisition for each pool.

(b) Each pool is required to be segregated by year of acquisition as detailed on the annually updated personal property forms prescribed in 50 IAC 4.3-2.

(c) The year of acquisition for Indiana property tax purposes is a fiscal year of March 2 to March 1 unless the taxpayer elects to use the same year as that used for federal tax purposes as follows:

(1) If a taxpayer has a fiscal year that ends on December 31 or January 31, the taxpayer may elect to use the alternative fiscal year that is used for federal income tax purposes to determine the year of acquisition of assets for Indiana property tax reporting purposes. Otherwise, a taxpayer is not eligible to elect to use an alternative fiscal year to compute year of acquisition for Indiana personal property tax purposes and must use a fiscal year of March 2 to March 1.

(2) If an alternative fiscal year election is made, any acquisitions made after the close of the taxpayer's federal taxable year, up to and including the assessment date, must be included in the space provided on the appropriate form.

(d) For Indiana property tax purposes it will be presumed that the disposal of depreciable personal property occurs on a first-in, first-out basis unless the taxpayer establishes that such was not the case. (State Board of Tax Commissioners; 50 IAC 4.3-4-7)

**50 IAC 4.3-4-8 True tax value determination; exception**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 8. (a) The true tax value for Indiana property tax purposes is computed by multiplying the adjusted cost of each year's acquisitions in the respective pool by a percentage good factor obtained in subsection (b). These factors automatically reflect all forms of depreciation for Indiana property tax purposes, except abnormal obsolescence as provided in section 9 of this rule.

(b) The table in this subsection provides the percentage good factors applied to the adjusted cost within each pool in order to compute true tax value for each pool. Once the true tax value for each year within each pool is calculated, they are summed to determine the true tax value of each pool. The true tax values for each of the four (4) pools is then summed and placed in the "Total All Pools" cell. The table of percentage factors is as follows:

Table of Percentage Good Factors				
Depreciable Lives Utilized for				
Federal Income Taxes				
Year of Acquisition (as detailed on the personal property forms)	Pool 1 1 to 4 Years	Pool 2 5 to 8 Years	Pool 3 9 to 12 Years	Pool 4 13 Years and Longer
1	76 %	88 %	92 %	93 %
2	53 %	76 %	84 %	85 %
3	29 %	64 %	75 %	78 %
4	5 %	51 %	67 %	71 %

5	5 %	39 %	59 %	63 %
6	5 %	27 %	51 %	56 %
7	5 %	15 %	43 %	49 %
8	5 %	15 %	35 %	42 %
9	5 %	15 %	26 %	34 %
10	5 %	15 %	18 %	27 %
11	5 %	15 %	10 %	20 %
12	5 %	15 %	10 %	12 %
13	5 %	15 %	10 %	5 %
Over 13	5 %	15 %	10 %	5 %

(c) If personal property is leased, such property will not be valued in accordance with this rule, rather it is to be reported in accordance with the provisions of 50 IAC 4.3-8. (*State Board of Tax Commissioners; 50 IAC 4.3-4-8*)

#### **50 IAC 4.3-4-9 Adjustment for abnormal obsolescence**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

**Sec. 9. (a)** A taxpayer may claim an adjustment for abnormal obsolescence, as defined in 50 IAC 4.3-9-3, provided that such taxpayer follows the procedures and meets the requirements regarding such adjustment outlined in 50 IAC 4.3-9.

(b) Limitations are as follows:

(1) No adjustment will be allowed for normal obsolescence, as defined in 50 IAC 4.3-9-2, since it is accounted for in the percentage good factor(s).

(2) If an abnormal obsolescence adjustment is made, the dollar amount of the adjustment may not exceed the true tax value, as computed in section 8 of this rule, for the specific depreciable asset(s) on which the taxpayer claims the adjustment.

(3) In no instance may the abnormal obsolescence adjustment result in a true tax value less than the net scrap or net sale value of the affected asset.

(*State Board of Tax Commissioners; 50 IAC 4.3-4-9*)

#### **50 IAC 4.3-4-10 Determination of property as real or personal**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-1

**Sec. 10. (a)** The following guide is intended to assist in the identification of property as either real or personal.

(b) The use of a unit of machinery, equipment, or structure determines its classification as real or personal property. If the unit is directly used for manufacturing, or a process of manufacturing, it is considered personal property. If the unit is a land or building improvement, it is considered real property.

(c) On-site utility piping, such as sanitary and storm sewers, potable water and fire prevention lines, and gas lines are considered on-site development costs and are included in the base rate when calculating the value of land. Real property land improvements are those improvements extraneous to site development, which are placed on the land to improve the parcel. They are normally considered yard items. Real property land improvements include, but are not limited to, the following:

- (1) Retaining walls.
- (2) Private roads.
- (3) Paved roads.
- (4) Bridges.
- (5) Fencing.
- (6) Reservoirs.
- (7) Dams.
- (8) Fixed river, lake, or tidewater wharves and docks.

- (9) Permanent standard gauge railroad trackage, bridges, and trestles.
- (10) Walls forming storage yards and fire prevention dikes.

(d) Structural components and other improvements to buildings are considered real property. These include, but are not limited to, the following:

- (1) Foundations.
- (2) Walls.
- (3) Floors.
- (4) Roof.
- (5) Insulation.
- (6) Stairways.
- (7) Partitions.
- (8) Loading and unloading platforms.
- (9) Canopies.
- (10) Areaways.
- (11) Heating systems.
- (12) Air conditioning.
- (13) Ventilation systems.
- (14) Sanitation.
- (15) Fixed fire protection.
- (16) Lighting.
- (17) Plumbing and drinking water.
- (18) Elevators and escalators.

(e) The following table identifies property as either real property or personal property:

Real and Personal Property	
Property	Type
Agricultural irrigation system, including the distribution system above or below ground	Personal
Air conditioning	
Building air conditioning for comfort of occupants	Real
Package units, through the wall commercial type	Real
Special process equipment to maintain controlled temperature and humidity	Personal
Window units, through the wall or inserted in window	Personal
Air lines for machinery and equipment	Personal
Aluminum pot lines	Personal
Anhydrous ammonia tanks and equipment	
Stationary	Real
Portable	Personal
Ash handling system, pit and framing related to system	Personal
Asphalt mixing plant and equipment (moveable)	Personal
Auto-call and telephone system	Personal
Bar and equipment	Personal
Bins, permanently affixed for storage	Real
Boilers	

Manufacturing process	Personal
Building service	Real
Booths for welding	Personal
Bowling alley lanes	Personal
Bucket elevators, open or enclosed, including casing	Personal
Buildings, such as specially constructed storage, poultry, or livestock processing buildings, not including machinery or equipment	Real
Bulkheads making additional land area to be assessed with and as a part of the improved land	Real
Carpeting, commercial	Real or
A real property assessment includes a finished floor. If the carpet is installed over an existing finished floor, carpeting is personal property.	Personal,
If, as in the case of many newer buildings, carpeting has been specified and is the only finished floor, carpeting is assessed as real property.	depending on the circumstances
Cistern	Real
Coal handling system	Personal
Cold storage	
Built-in cold storage rooms	Real
Cold storage refrigeration equipment	Personal
Cold storage, prefab walk-in type	Personal
Control booth	Personal
Conveyor	
Housing	Personal
Tunnels	Real
Unit, including belt and drives	Personal
Cooling towers	
Primary use for manufacturing	Personal
Primary use for building	Real
Crane	
Moving crane	Personal
Runways, including supporting columns or structure and foundation, inside or outside of buildings	Personal
Dock levelers	Personal
Drapes	Personal
Drying rooms	
Structure	Real
Heating system	Personal
Dust catchers	Personal
Fence, security	Real
Fire alarm system	Personal
Fire walls, masonry	Real
Floors, computer room	Real
Foundations for machinery and equipment	Personal
Gaming riverboats	Real

Gas lines for equipment or processing	Personal
Grain bins, storage	Real
Grain drying equipment	Personal
Grain drying equipment, such as augers and aerators	Personal
Grain elevators (commercial, industrial) storage, silos, tanks, cupolas, working house, head-house, and milling space	Real
Grain elevator machinery and equipment (commercial, industrial), such as inside or outside conveyors, spouting, hopper scales, man lifts, aeration systems, grain cleaners, grain dryers, mechanical grain dumping equipment, loading and unloading systems, truck scales, and all processing machinery and equipment	Personal
Grain storage tents (blow-up)	Personal
Gravel plant, machinery, and equipment	Personal
Greenhouses	
Building	Real
Building, plastic cover, in place on assessment date	Personal
Benches and heating system	Personal
Heating system	
Building heating for comfort of occupants	Real
Special purpose to maintain controlled temperature	Personal
Hoist, hoist pits	Personal
Hydraulic lines	Personal
Irrigation equipment	Personal
Kilns	
Lumber, drying kiln structure	Real
Concrete block, drying kiln structure	Real
Circular down draft, beehive	Real
Heating or drying system	Personal
Landscaping, priced with land	Real
Laundry, steam generating equipment	Personal
Lighting	
Yard	Personal
Special purpose, inside	Personal
Service station, except building	Personal
Mixers and mixing houses	Personal
Ore bridge foundation	Personal
Ovens, processing	Personal
Piping, process piping above or below ground	Personal
Pits for equipment or processing	Personal
Pools swimming, in-ground or above-ground	Real
Power lines and auxiliary equipment	Personal
Pumps and motors	Personal
Pump house, including substructure	Real

Racks and shelving, portable or removable	Personal
Railroad siding, except belonging to railroad	Real
Ready-mix concrete batch plant and equipment	Personal
Refrigeration equipment	Personal
Refrigerated display cabinets	Personal
Sanitary system	Real
Satellite dishes	
Commercial use	Personal
Residential use	Personal
Scale houses	Real
Scales	
Truck or railroad scales, including pit	Personal
Dormant scales	Personal
Septic system, priced with land	Real
Sheds or buildings	
Permanent, affixed, or portable confinement buildings	Real
Agricultural open portable pull-type	Personal
Detached storage structures	Real
Portable utility sheds	Real
Signs, including supports and foundation	Personal
Silos	
Containing a manufacturing process	Personal
Farm storage silos	Real
Silo equipment	Personal
Storage	Real
Spray pond	
Masonry reservoir	Real
Piping and equipment	Personal
Sprinkler system	Real
Stacks	
Supported individually and servicing heating boilers	Real
Servicing personal property units or a process	Personal
Steam electric generating facility	
Equipment	Personal property or distributable property
Building	Real
Stone crushing plant and equipment	Personal
Storage facilities, permanent of masonry or wood	Real
Storage vaults and doors, including bank vaults and doors	Real
Substation	
Building	Real
Equipment	Personal
Tanks	

(A) Storage only, except as indicated in clauses (B) and (C), above or below ground	Real
(B) Used as part of manufacturing process	Personal
(C) Underground gasoline tanks at service stations	Personal
Towers, TV or radio broadcasting	Personal
Transformers	Personal
Tunnels	Real
Tunnels, waste heat or processing	Personal
Unit heaters	
Nonportable	Real
Portable	Personal
Unloader runway	Personal
Ventilating	
Ventilating system for manufacturing equipment	Personal
Ventilating system for comfort of employees	Real
Walls, portable partitions	Personal
Water lines, for processing above or below ground	Personal
Water pumping station, building and structure	Real
Water pumps and motors	Personal
Water treating and softening plant	
Building and structure	Real
Water treating and softening equipment	Personal
Wells used for potable water, priced with land	Real
Wells, pumps, motors, and equipment	Personal
Wiring, power wiring	Personal

(State Board of Tax Commissioners; 50 IAC 4.3-4-10)

## **Rule 5. Valuation of Inventory**

### **50 IAC 4.3-5-1 Definitions**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-11; IC 6-1.1-2; IC 6-1.1-3; IC 6-1.1-31; IC 26-1

#### **Sec. 1. The following definitions apply throughout this rule:**

##### **(1) “Cost of inventory” includes the following:**

(A) The primary basis of accounting for inventories is cost, which has been defined generally as the price paid or consideration given to acquire an asset. As applied to inventories, cost means, in principle, the sum of the applicable expenditures and charges directly or indirectly incurred in bringing an article to its existing condition and location as of the assessment date. Uniform capitalization rules generally require capitalization of all direct material, direct labor, and an allocable portion of indirect costs attributable to acquiring or producing tangible personal property.

(B) Manufactured or work in process inventory located at the manufacturing or processing plant will include all costs paid or incurred for materials, labor, and manufacturing expenses to bring the inventory to the actual state of completion on the assessment date.

(C) As used in the phrase “lower of cost or market” cost should be carried forward for assignment in future periods, except when it is evident that the utility of the goods is no longer as great as their cost. Where there is evidence that the utility of goods, in their disposal in the ordinary course of business, will be less than cost,



whether from damage, deterioration, obsolescence, style change, over-supply, reduction in price levels, or other causes, the inventory items should be stated at a lower level commonly designated as “market”.

(2) “Intra-company profits” means the net profits on intra-company transfers within the legal entity filing the tax return and not profits from a separate legal entity, regardless of any inter-corporate relationships. Intra-company profits are not required to be included in the valuation of inventory for assessment purposes since they have not been earned.

(3) “Manufacturing expenses” (overhead or indirect costs) means those costs of manufacturing that in an accounting sense are costs that are not directly attributable to the item being produced. These indirect costs consist of, but are not limited to, such items as the following:

- (A) Repairs and maintenance of equipment and facilities.
- (B) Utilities.
- (C) Rental of equipment, facilities, or land.
- (D) Indirect labor.
- (E) Supervisory wages.
- (F) Indirect materials and supplies.
- (G) Quality control and inspection.
- (H) Depreciation, amortization, and cost recovery allowable on equipment and facilities.
- (I) Rework labor.
- (J) Scrap and spoilage.
- (K) Factory administrative cost.
- (L) Administrative, service, or support functions related to production.
- (M) Production officers’ salaries.
- (N) Insurance on production plant, production equipment, and inventory.
- (O) Employee benefits (not including the past service portion of pension plans).
- (P) Bidding costs on awarded contracts.
- (Q) Engineering and design expenses (other than research and experimental expenses).
- (R) Off-site storage and warehousing.
- (S) Purchasing costs.
- (T) Handling costs.
- (U) A portion of general and administrative costs allocated to these functions.

Many of these costs are of such nature that the taxpayer in its regular accounting system determines by an estimate the amount of each cost that is used in a specific operation and consequently, for accounting purposes, allocates such costs at various stages, processes or upon completion, based upon a percentage of a determinable cost. A determinable cost is a cost that in an accounting sense is measured as incurred. Consequently, indirect cost or overhead is comprised of those expense items or costs that, for the accounting purposes of the taxpayer filing the return, are allocated to the product being produced on a percentage basis or based on some other reasonable relationship. Physical association of these costs with the items produced is seldom possible; nevertheless, the past experience of a company will offer a valid basis for allocation.

(4) “Market” means current replacement cost (by purchase or by reproduction, as the case may be) except that market should not:

- (A) exceed the net realizable value, that is, estimated selling price in the ordinary course of business less reasonably predictable costs of completion and disposal; and
- (B) be less than net realizable value reduced by an allowance for an approximately normal profit margin.

(5) “New taxpayers” means a taxpayer will be deemed to be a new taxpayer in a taxing district when the taxpayer has not had inventory in the given taxing district for any month during the preceding calendar year.

(6) “Public warehouse” means a storage facility that is operated by one engaged in the business of receiving, shipping, or storing goods of others for hire, through the issuance of warehouse receipts and releases, in accordance with the Indiana Uniform Commercial Code (IC 26-1). The storage facility must be under the supervision and control of the warehouseman and staffed by its employees or agents, thereby excluding from this definition leased facilities operated by a lessee not engaged in the business of public warehousing.

(7) “Warehouse” means an area, enclosure, building, or structure, public or private, maintained for the storage of inventory or other tangible personal property.

*(State Board of Tax Commissioners; 50 IAC 4.3-5-1)*

## **50 IAC 4.3-5-2 Inventory subject to assessment**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-11

**Sec. 2. (a) Generally, all inventory with a tax situs in the state on the assessment date shall be subject to assessment. Certain inventories, have specific exemption procedures noted in 50 IAC 4.3-12. Every person, including any firm, partnership, association, corporation, fiduciary, or individual owning, holding, possessing, or controlling inventory in any capacity whatsoever with a tax situs within the state on the assessment date is required to file a personal property tax return and report such inventory as provided in 50 IAC 4.3-2-2.**

**(b) The inventory subject to assessment includes all inventory, whether or not in the actual possession of the owner, within the state on the assessment date. Inventory maintained in a warehouse will be taxed to the owner of the inventory unless as of the filing date, the owner of the property as of the assessment date is unknown by the assessor, in which case said property shall be assessed to the possessor. Every owner or operator of a warehouse, grain elevator, terminal, or other storage facility is required to report, by the filing date, all tangible personal property stored in such facilities that it holds, possesses, or controls but does not own, on Form 103-N.**

**(c) Inventory consigned for sale is to be assessed to the owner (consignor) of the property where a tax situs exists on the assessment date. The consignor is required to file a complete return, including a list of such property on Form 103-O. The consigned inventory must be reported as not-owned property by the consignee and clearly designated as such. This property must be reported on Form 103-N.**

**(d) All whole grain that is owned, controlled, or possessed by any taxpayer with a tax situs within the state on the assessment date is required to be reported for assessment.**

**(e) In order to provide for a uniform method of assessment of grain in storage, the state board has made the following determinations:**

**(1) Grain stored on the farm or where produced shall be assessed and taxable to the owner of said grain in the taxing district where stored.**

**(2) Grain stored in a warehouse or grain storage facility shall be assessed as follows:**

**(A) Grain stored in a warehouse or grain storage facility shall be assessed and taxable, in the taxing district where stored, to the persons in whose name the warehouse receipt is outstanding.**

**(B) Grain stored at an elevator or other grain storage facility under conditions whereby the owner of the grain may subsequently have the grain returned, or may sell such grain or exchange such stored grain for other commodities, and a grain receipt (including scale ticket or other depository paper) is given, shall be taxable in the taxing district where stored to the owner of such grain.**

**(C) All grain owned by an elevator or other storage facility must be reported on Form 103. Grain under a purchase contract and not in possession of the purchaser shall be taxed to the seller of such grain to the extent that such grain has not been paid for and shall be taxed to the purchaser to the extent that payment has been made for such grain.**

**(3) CCC Grain is grain used as collateral on a Commodity Credit Corporation loan with the Natural Resources Conservation Service (NRCS). The producer retains title and control of this grain and can choose where and when to sell the grain on the open market and pay off the loan. If the market price drops below a guaranteed price, the producer may choose to forfeit title to the grain to the federal government and repayment of the loan will be forgiven. This grain shall be assessed and taxable to the owner of said grain in the taxing district where stored.**

**(4) Grain delivered to an elevator or other storage facility under a “price later” or “deferred pricing” contract becomes the property of the elevator at the time of delivery and shall be assessed and taxed to the elevator if on hand on the assessment date. The seller is assessable for “price later” grain until delivery is made to the elevator at which time title, possession and control is transferred to the elevator.**

**(5) Grain taken over or otherwise owned by the federal government shall be reported on the personal property assessment Form 103 by the elevator or grain storage facility as being in its possession. No assessment shall be made on such grain since a deduction may be taken as “exempt” on such property.**

*(State Board of Tax Commissioners; 50 IAC 4.3-5-2)*

### 50 IAC 4.3-5-3 Valuation of inventory

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-11; IC 6-1.1-31

Sec. 3. Except as otherwise provided in this article, the cost of inventory as recorded on the regular books and records of the taxpayer on the assessment date must be reported on the personal property return of the taxpayer. The use of “lower of cost or market” method for valuing inventory for book accounting purposes is allowable for Indiana property tax purposes. (*State Board of Tax Commissioners; 50 IAC 4.3-5-3*)

### 50 IAC 4.3-5-4 Mandatory adjustments

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-11; IC 6-1.1-31

Sec. 4. (a) If the cost per books of the inventory reported by the taxpayer does not include the following items, such cost must be adjusted for the following items before making any other valuation adjustments or exemptions:

(1) LIFO reserve (the last-in-first-out method of valuing inventories). No reduction for LIFO is allowed in the valuation of inventories pursuant to this article. If the dollar amount shown as the cost per books of the taxpayer’s inventory has been reduced for a LIFO adjustment, the dollar amount of the adjustment must be added back.

(2) Manufacturing expenses (overhead or indirect cost). If the cost per books of inventory located at the manufacturing or processing plant excludes any or all manufacturing overhead, an adjustment increasing such cost for overhead must be made.

(3) Discounts and freight. The cost of the inventory shall be reduced for purchase, trade, and cash discounts providing the cost per books of the taxpayer’s inventory includes these items. The cost of inventory shall be increased for freight-in to the extent that it is attributable to the inventory on hand, providing the cost per books of the taxpayer’s inventory does not reflect this item.

(4) Adjustment for standard cost. If the inventory on the books is recorded at a standard cost, an adjustment is required to reflect the difference, if any, between such standard cost and actual cost.

(5) Royalties, editorial costs, or license or copyright fees. If the cost per books of inventory excludes any royalties, editorial costs, or license or copyright fees, an adjustment increasing such cost must be made. If the payment of such fees is contingent upon the sale of the inventory, it shall be deemed to be directly incurred, and therefore shall be added.

(6) Taxes and duties. If the cost per books of inventory excludes any taxes (other than state, local, and foreign income taxes) that have been paid or incurred, an adjustment increasing such cost must be made as follows:

(A) Federal taxes, except income taxes, are considered to be part of the cost of the product for inventory valuation purposes at all levels of trade.

(B) State taxes are considered to be part of the cost of the product at the retail level.

(C) Following is a summary of the assessability of state and federal taxes at the various levels of trade.

	Federal Taxes	State Taxes
Distillers/ Manufacturers	Assessable	Not assessable
Wholesalers	Assessable	State taxes on beer, liquor, and wine are assessable. Tax stamps if affixed on cigarettes are assessable.
Retailers	Assessable	Assessable

(D) Goods held in bond on March 1 include products that are imported from foreign countries and placed in the custody of agents of the federal government until custom duties and federal excise taxes, imposed by the federal government, have been paid. These goods have arrived at their destination in the bonded warehouse and are assessable in the amount of the purchased cost of the merchandise, excluding custom duty and federal excise tax, plus freight in to the location of the bonded warehouse. Customs duty and federal excise taxes on “goods held in bond” are not due and payable until such time as the goods are withdrawn from bond, therefore these costs are not to be included in determining the cost of bonded inventories for property tax purposes.

(State Board of Tax Commissioners; 50 IAC 4.3-5-4)

**50 IAC 4.3-5-5 Reporting of inventory not carried on books of taxpayer**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-2-1; IC 6-1.1-31

**Sec. 5. (a)** All inventory as defined in 50 IAC 4.3-1-1(7) and section 2 of this rule is required to be reported for personal property tax assessment purposes even if a taxpayer may:

- (1) expense such inventory in the period acquired for regular accounting or federal tax purposes; or
- (2) have failed to properly reflect inventory on hand but not recorded on the taxpayers books or records.

This inventory includes, but is not limited to, supplies, repair parts, or expendable tools on hand on the assessment date.

(b) In general, when valuing inventory expensed on books, unless the taxpayer can otherwise substantiate, the value of the unrecorded inventory will be computed as follows:

- (1) The total expenditures for the unrecorded inventory items during the twelve (12) months immediately preceding the assessment date shall be determined by reference to the regular books and records of the taxpayer.
- (2) One-twelfth ( $\frac{1}{12}$ ) of the total expenditures for the year for unrecorded inventory must be reported as the valuation of the unrecorded inventory.
- (3) This computation must be made for each classification of unrecorded inventory that exists.

(c) Except as provided in subsection (b), the value of inventory not recorded on the books and records of the taxpayer on the assessment date is the actual cost of such inventory. (State Board of Tax Commissioners; 50 IAC 4.3-5-5)

**50 IAC 4.3-5-6 Elective inventory valuation method**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-11; IC 6-1.1-31

**Sec. 6. (a)** As an alternative method to valuing inventory, a taxpayer who is in possession of inventory may value finished goods and work in process inventory as follows:

- (1) The cost of raw materials and supplies, which must include the total cost directly or indirectly incurred, including freight, to bring the property to the location where it will be utilized. Taxpayers acquiring manufactured products from related entities shall include in the accountability cost the sum of all costs directly or indirectly incurred in bringing the article to its existing condition and location on the assessment date. In addition, the cost of all direct production labor shall be added.
- (2) Any adjustment taken from inventory valuation must be the same basis on which it was included in the tax return.
- (3) This election must be applied to all locations within this state, except as noted in subdivision (4).
- (4) This election is available only for a taxpayers finished goods or work in process inventories.

(b) Computations of the valuation method outlined in this section are required to be attached to the tax return and computed on Form 106. (State Board of Tax Commissioners; 50 IAC 4.3-5-6).

**50 IAC 4.3-5-7 Average inventory election**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3; IC 6-1.1-31

**Sec. 7. (a)** A taxpayer may elect to value inventory on the prior calendar year average. This is applicable to all taxpayers, including manufacturers and processors, with respect to materials held for use and production, supplies of all types, and finished or partially finished goods.

(b) This election is made by notifying the assessor in the space provided on the return at the time of filing the return.

(c) The election, once made, is binding upon the taxpayer for the tax year in which elected and for each year thereafter unless written permission to change for reasonable cause is granted by the state board prior to filing subsequent years' original personal property return.

(d) When a taxpayer has elected to use the average method, the taxpayer must use that method for reporting the value of its inventory at all locations in the state. When the taxpayer is a new taxpayer in a taxing district, between January 1 and March 1 of the assessment year, the election is not binding in such taxing district because the taxpayer did not have inventory in the taxing district during the preceding calendar year.

(e) The average inventory shall be determined by computing the cost (as provided in sections 3 through 5 of this rule or section 8 of this rule) of the inventory on hand at the end of each uniform accounting period in the prior calendar year, which shall not be less than twelve (12) periods, including the following requirements.

(1) The accounting periods used by the taxpayer to determine the base for computing average inventory must be the accounting period that represents a regular and ordinary practice of the taxpayer.

(2) If a taxpayer was engaged in business for only a portion of the preceding calendar year in a taxing district, the average method of valuation shall be based upon the average of the full calendar months during which the taxpayer was engaged in business in the prior calendar year.

(3) Adequate books and records showing the property on hand and the value thereof as of the last day of each accounting period in the prior calendar year must be maintained by the taxpayer electing to use the average method of inventory valuation.

(f) If a taxpayer becomes a new taxpayer in a taxing district between January 1 and the March 1 assessment date, the actual cost of the inventory on hand in the given taxing district on the assessment date must be reported. This is required even though the taxpayer has made a valid election to compute its inventory on the average method for the entire state and is applicable only for the first year that a taxpayer is a new taxpayer in a taxing district. (*State Board of Tax Commissioners; 50 IAC 4.3-5-7*)

#### **50 IAC 4.3-5-8 Average inventory election for perishable horticultural processors**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3; IC 6-1.1-31

Sec. 8. (a) In lieu of all other methods specified in this section, a first processor of perishable horticultural products may list its inventory of such products that have passed the first process stage at one-twelfth ( $\frac{1}{12}$ ) of the true tax value of such products processed in the twelve (12) month period ending on the assessment date. If such processor has not been in business for a continuous twelve (12) month period preceding the assessment date, such products may be listed at the true tax value of such products processed during the period the processor was in business divided by the number of whole months during such period.

(b) The following definitions apply throughout this section:

(1) "First process" means the first operation of preservation after harvest.

(2) "First processor" means the taxpayer that completed the first process.

(3) "Horticultural products" means the following fruits and vegetables suitable for human consumption:

(A) Cherries.

(B) Lima beans.

(C) Peas.

(D) Turnip greens.

(E) Spinach.

(F) Tomatoes.

(G) Asparagus.

(H) Green beans.

(I) Sweet corn.

(J) Grapes, in the form of wine.

(K) Pimentos.

(L) Plums.

(M) Red raspberries.

- (N) Strawberries.
- (O) Broccoli.
- (P) Cauliflower.
- (Q) Brussel sprouts.
- (R) Peaches.
- (S) Shellie beans.
- (T) Waxed beans.
- (U) Apricots.
- (V) Cucumbers, in the form of pickles.

(4) “Perishable” means commodities that require, under ordinary circumstances, some affirmative and continuous step such as refrigeration or canning within forty-eight (48) hours of harvest to preserve them from decay or spoilage.

(c) The special valuation adjustment under subsection (a) shall be applied only to those products that qualify in subsection (b)(3) and is not applicable to the value of any other ingredients or additives, the container, label, or shipping case.

(d) The taxpayer shall report the actual March 1 booked inventory in the tax return being filed. An adjustment to the value computed using the average valuation shall be taken in the space provided on the return and clearly indicated as an adjustment for average inventory valuation. *(State Board of Tax Commissioners; 50 IAC 4.3-5-8)*

#### **50 IAC 4.3-5-9 Abnormal obsolescence adjustment**

Authority: IC 6-1.1-31-1  
Affected: IC 6-1.1-31-7

**Sec. 9.** A taxpayer may not claim an adjustment for abnormal obsolescence as defined in 50 IAC 4.3-9-3 for inventory. Adjustments provided in this rule allow the taxpayer to account for all forms of obsolescence. *(State Board of Tax Commissioners; 50 IAC 4.3-5-9)*

#### **50 IAC 4.3-5-10 Determination of true tax value of inventory**

Authority: IC 6-1.1-31-1  
Affected: IC 6-1.1-31

**Sec. 10.** The true tax value of inventory is the cost per books of the inventory, as defined in sections 1 and 3 of this rule, increased or reduced as follows:

- (1) The adjustments required to be made pursuant to section 4 (mandatory adjustments) of this rule.
  - (2) The value of the unrecorded inventory as determined in section 5 of this rule.
  - (3) Reductions for exempt inventory as provided in 50 IAC 4.3-12.
  - (4) The adjustments, if any, required as a result of the election of the elective inventory valuation method as provided in Section 6 of this rule or the average inventory methods as provided in sections 7 and 8 of this rule.
- (State Board of Tax Commissioners; 50 IAC 4.3-5-10)*

#### **Rule 6. Valuation of Other Tangible Personal Property**

##### **50 IAC 4.3-6-1 Tangible personal property not placed in service; reporting**

Authority: IC 6-1.1-31-1  
Affected: IC 6-1.1-31

**Sec. 1. (a)** Tangible personal property, other than inventory as defined in 50 IAC 4.3-1-1(7), with a tax situs within the state on the assessment date that has not been placed into service must be reported for property assessment purposes.

(b) The following definitions apply throughout this section:

- (1) “Construction in process” means tangible personal property not placed in service. The term does not include the inventory of a contractor that is not a part of the real or personal property under construction. A

contractor's inventory must be valued and reported as provided in 50 IAC 4.3-5.

(2) "Tangible personal property not placed in service" means all property that has not been depreciated and is not eligible for federal income tax depreciation under 26 U.S.C. § 167 on the assessment date. Real property as defined by law and rules of the state board, inventory, leased property, returnable containers, and property normally assessed as inventory and held in abeyance or stored temporarily, and which possession may be transferred to another person to be attached to or become a part of an asset are not included in this category.

(c) The value of personal property not placed in service is the cost recorded on the taxpayer's books and records that is attributable to such personal property, including all expenses incurred in acquiring or producing the assets not yet placed in service, such as in the following cases:

(1) The cost as recorded on the regular books and records of the taxpayer does not reflect acquisitions and transfers since the end of the financial period immediately preceding the assessment date, such acquisitions and transfers are required to be included.

(2) The cost as recorded on the regular books and records of the taxpayer reflects advance payments or deposits, and if such amounts were attributable to tangible personal property, these amounts shall be allowed as a deduction from book cost.

(d) The true tax value of tangible personal property not placed in service as defined in subsection (b)(2), is eighty-seven percent (87%) of the cost of such property. (*State Board of Tax Commissioners; 50 IAC 4.3-6-1*)

#### **50 IAC 4.3-6-2 Improvement to leased real or personal property**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-11; IC 6-1.1-5-13; IC 6-1.1-31

Sec. 2. (a) Whenever a taxpayer makes any expenditure for an improvement to real or personal property not owned by such taxpayer, such expenditure shall be assessable as personal property to the extent it is not real property as defined in 50 IAC 4.3-1-1(11).

(b) Examples of such improvements that are personal property are as follows:

(1) Improvements to personal property, as defined in 50 IAC 4.3-1-1(11), are personal property. Such improvements include, but are not limited to, foundations and pilings related to the installation and use of personal property.

(2) Improvements to real property that are personal property include, but are not limited to, personal property attached to the real property to the extent such items are related to activities or processes conducted in the building if the personal property is an integral part of such activity. Such improvements to real property include, but are not limited to, the following:

(A) Shelving.

(B) Bins, counters, and related items.

(C) Nonpermanent partitions.

(D) Supplemental heating and air conditioning.

(E) Extraordinary lighting.

(F) Electrical and plumbing facilities.

(G) Carpeting and draperies.

(c) The taxpayer must report and value the property for personal property assessment purposes in the same manner as any other depreciable personal property, which the taxpayer may own in accordance with provisions of 50 IAC 4.3-4. (*State Board of Tax Commissioners; 50 IAC 4.3-6-2*)

#### **50 IAC 4.3-6-3 Returnable containers; reporting**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 3. (a) As used in this section, "returnable containers" means those reusable items of tangible personal property that are used to package inventory or other property while in transit. Returnable containers include, but are not limited to, cooperage, skids, bottles, cases, and other reusable packaging devices.

(b) Returnable containers must be reported where located on the assessment date by the taxpayer owning the returnable containers. In addition, the owner is required to furnish a complete listing, on Form 103-O, of all the owner's personal property that is in possession of another person pursuant to 50 IAC 4.3-2-4. The person holding, possessing, or controlling returnable containers not owned, is required to furnish a complete listing on Form 103-N.

(c) The value of returnable containers is computed by first calculating the cost of such property by:

- (1) the amount of deposit required;
- (2) the refund entitled when returned to the owner;
- (3) the sales price; or
- (4) the cost to the owner.

The resultant cost must then be valued in the same manner as other depreciable personal property. (*State Board of Tax Commissioners; 50 IAC 4.3-6-3*)

#### **50 IAC 4.3-6-4 Special tools**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 4. (a) "Special tools" as used in this section, means depreciable tangible personal property acquired or made for the production of products or product models that are of such specialized nature that their utility generally ceases with the modification or discontinuance of such products or product models. Special tools include, but are not limited to, tools, dies, jigs, fixtures, gauges, molds, and patterns. Depreciable tangible personal property shall qualify as special tools only if assigned a special tools asset class from Appendix B of IRS Publication 946 and depreciated as special tools for federal tax purposes. Those items of special tools being manufactured or built for sale or lease to another person must be valued as inventory pursuant to 50 IAC 4.3-5.

(b) Special tools must be reported where located on the assessment date by the taxpayer owning the special tools on Form 103-T, as an attachment to Form 103. In addition, the owner is required to furnish a complete listing on Form 103-T of all their special tools in the possession of another person pursuant to 50 IAC 4.3-2-4. The person holding, possessing, or controlling special tools, not owned, is required to furnish a complete listing on Form 103-T, of all not owned personal property pursuant to 50 IAC 4.3-2-4.

(c) The cost and adjustments to cost of special tools is determined in the same manner as other depreciable tangible personal property under 50 IAC 4.3-4 and calculated on the Form 103-T, however the depreciation of special tools is calculated using the following percentage good factors:

**Table of Percentage Good Factors for Special Tools**

Year of Acquisition (as detailed on the Form 103-T)	Special Tools Percent Good Factors
1	42 %
2	14 %
3	2 %
Over 3	2 %

(*State Board of Tax Commissioners; 50 IAC 4.3-6-4*)

#### **Rule 7. Other**

#### **50 IAC 4.3-7-1 Lists of readily ascertainable values**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 1. (a) In the case of certain types of personal property that the state board determines have readily ascertainable values, the state board may determine the true tax value of such property. These types of personal property will be valued pursuant to 50 IAC 4.3-14, or the state board will issue instructional bulletins listing the unit values of such property. These bulletins will be published in the Indiana Register as nonrule policy



statements.

**(b) The types of personal property to be valued pursuant to this section include, but are not limited to:**

- (1) agricultural commodities,**
- (2) certain livestock;**
- (3) certain types of petroleum products;**
- (4) recreational vehicles;**
- (5) used vehicle inventory;**
- (6) used farm implement inventory; and**
- (7) any other tangible personal property that the state board determines has a readily ascertainable value.**

*(State Board of Tax Commissioners; 50 IAC 4.3-7-1)*

#### **50 IAC 4.3-7-2 Uniform lives of assets; publication**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

**Sec. 2. The state board may prescribe and publish the lives of assets if it determines that such lives shall be used in order to obtain equalization of assessments.** *(State Board of Tax Commissioners; 50 IAC 4.3-7-2)*

#### **50 IAC 4.3-7-3 Assessment of farm commodities and livestock**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

**Sec. 3. (a) The state board will prescribe the values to be used for the assessment of farm livestock and commodities in order to provide for a uniform method of assessment throughout the state.**

**(b) In determining the values to be used for the assessment of farm livestock, and commodities, the state board will consult with the Agriculture Department of Purdue University to determine the cost of production of fungible whole grain commodities and livestock as well as take into consideration the market value of said products as of the assessment date. After determining the values of the various fungible whole grain commodities, livestock, and poultry, the state board must meet with, and consider, the recommendations of a farm committee consisting of individuals engaged in the production of such products or representatives of groups representing persons engaged in the production of such products. The commissioners of the state board will determine the members of the farm committee and invite them to an annual meeting prior to adopting the values to be utilized for the particular assessment year involved. The state board must notify, in writing, the Commissioner of Agriculture and the farm committee of the final values adopted within ten (10) days of the annual meeting.**

**(c) In accordance with the Indiana court of appeals decision in Lyon and Greenleaf Co., Inc. v. State Board of Tax Commissioners, each fungible whole grain commodity must be assessed at the same value throughout the state of Indiana, regardless of ownership or effect of location on value, so long as the commodity is in its fungible raw condition. However, certain livestock, poultry, seed, or other commodities with substantially more value than reflected in the values adopted by the state board must be reported at its true tax value. Examples would be show horses, show livestock, prize race horses, and seeds.**

**(d) The values adopted by the state board will be issued on an annual basis.** *(State Board of Tax Commissioners; 50 IAC 4.3-7-3)*

#### **50 IAC 4.3-7-4 Assessment of refined petroleum products, marketing equipment, crude oil and natural gas at wellhead**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

**Sec. 4. (a) The procedures in this section will be utilized by the state board to determine the prices to be used for the assessment of certain petroleum products.**

(b) The products covered by this section include the following:

- (1) Crude oil.
- (2) Natural gas.
- (3) Grease.
- (4) Gasoline (all grades).
- (5) Motor oil (all grades).
- (6) LP gas.
- (7) Distillate fuel, including kerosene, fuel oil, tractor fuel, jet fuel, and diesel fuel.

(c) The price to be used for the valuation of crude oil and other petroleum products will be based upon commodity prices reported in the Oil Daily, Oil and Gas Journal, the Wall Street Journal, or other industry publications as of March 1 of the assessment year. Since these prices must be as of March 1 of each assessment year, the state board will issue the actual prices for each of these commodities after March 1 of the assessment year.

(d) Inventories of these commodities at the refinery will be valued at the total cost pursuant to 50 IAC 4.3-5, while inventories of these same items at the other levels of trade, namely the terminal, bulk plant, and retail stations will be valued to include the sum of the applicable expenditures and charges directly or indirectly incurred to bring these items to their existing condition and location as of the assessment date.

(e) All petroleum prices shall be listed in the return at the prices adopted by the state board.

(f) In order to provide for a uniform method of assessment, and to obtain equalization in the assessment of petroleum industry marketing facilities, the state board establishes the useful life of all tangible personal property used in the marketing of petroleum products as being twelve (12) years. (*State Board of Tax Commissioners; 50 IAC 4.3-7-4*)

## **Rule 8. Valuation of Leased Personal Property**

### **50 IAC 4.3-8-1 “Leased personal property” defined**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-2-1; IC 6-1.1-2-4; IC 6-1.1-31

Sec. 1. As used in this rule, “leased personal property” includes those units of tangible personal property defined in 50 IAC 4.3-1-1(11), excluding inventory and returnable containers as defined in 50 IAC 4.3-1-1(7) and 50 IAC 4.3-6-3, which are leased, rented, or otherwise made available to a person other than the owner under a bailment agreement, written or unwritten, on the assessment date. The term includes, but is not limited to:

- (1) business machines;
- (2) postage meters;
- (3) machinery;
- (4) equipment;
- (5) furniture;
- (6) fixtures;
- (7) coin-operated devices;
- (8) tools;
- (9) burglar alarms;
- (10) signs and other advertising devices; and
- (11) motor vehicles;

to the extent taxable as personal property that are loaned, leased, used, or otherwise held in the possession of a person other than the owner on the assessment date whether or not any fees are charged. (*State Board of Tax Commissioners; 50 IAC 4.3-8-1*)

### **50 IAC 4.3-8-2 Capital and operating leases**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

**Sec. 2.** A lease is a contract, either written or oral, that transfers the right of possession from the owner (lessor) to another person (lessee) for a stated period of time. There are two (2) types of leases as follows:

(1) Capital leases are ~~a~~ financing instruments and include sales-type leases, direct financing leases, and leveraged leases. These leases must meet one (1) or more of the following conditions to be so classified:

(A) Ownership of the property is transferred to the lessee at or before the end of the lease term.

(B) The lease permits the lessee to purchase the property or renew the lease at a price or rental that is substantially less than the estimated market value or fair rental of the leased property at the time the option to purchase or renew the lease is exercised.

(C) The lease term is equal to seventy-five percent (75%) or more of the estimated economic life of the leased property.

(D) The present value of the minimum lease payments equals or exceeds ninety percent (90%) of the fair market value of the leased property at the inception of the lease.

In addition, the leases are or should be capitalized by the lessee for federal income tax purposes.

(2) Operating leases include all other leases.

*(State Board of Tax Commissioners; 50 IAC 4.3-8-2)*

### **50 IAC 4.3-8-3 Operating leases**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-2-4; IC 6-1.1-31

**Sec. 3. (a)** Operating leases must be reported by the owner (lessor) of the personal property on Form 103, Schedule A, in the taxing district where the property was located on the assessment date. The value of the property must be computed in accordance with sections 7 through 9 of this rule, rather than 50 IAC 4.3-4.

(b) The owner (lessor) is also required to furnish a complete listing, on Form 103-O, of all the owner's personal property that was the subject of an operating lease on the assessment date. A separate Form 103-O must be filed in each taxing district where property is located showing the name and address of the person in possession, model, description, location, quantity, and date of installation.

(c) The person holding, possessing, or controlling (lessee) tangible personal property subject to the conditions of an operating lease shall file a complete listing, on Form 103-N, of all not owned (leased) personal property. The listing must include the following information about the property:

(1) The name and address of the owner (lessor).

(2) The model (if applicable).

(3) The description.

(4) The location.

(5) The quantity on hand.

(6) The date of installation.

(7) The value per this article.

The Form 103-N must be attached to the lessee's return filed in the taxing district where such property was located on the assessment date. *(State Board of Tax Commissioners; 50 IAC 4.3-8-3)*

### **50 IAC 4.3-8-4 Capital leases**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-2-4; IC 6-1.1-31

**Sec. 4. (a)** Capital leases must be reported for assessment and taxation by the person holding, possessing, or controlling (lessee) the personal property on Form 103, Schedule A, in the taxing district where the property was located on the assessment date. The value of the property must be computed in accordance with sections 7 through 9 of this rule, rather than 50 IAC 4.3-4.

(b) The lessee is also required to furnish a complete listing of all not owned personal property on Form 103-N, in each taxing district where the property is located on the assessment date. This listing must include the following

information about the property:

- (1) The name and address of the owner (lessor).
- (2) The model (if applicable).
- (3) The description.
- (4) The location.
- (5) The quantity on hand.
- (6) The date of installation.
- (7) The value of the property per this article.

(c) The person owning (lessor) tangible personal property subject to the conditions of a capital lease shall file a complete listing, on Form 103-O, of all owned personal property. The listing must include the following information about the property:

- (1) The name and address of the person in possession (lessee).
- (2) The model (if applicable).
- (3) The description.
- (4) The location.
- (5) The quantity on hand.
- (6) The date of installation.
- (7) The value per this article.

The Form 103-O must be attached to the lessor's return filed in the taxing district where such property was located on the assessment date. (*State Board of Tax Commissioners; 50 IAC 4.3-8-4*)

#### **50 IAC 4.3-8-5 Liability for taxes**

Authority: IC 6-1.1-31-1

Affected IC 6-1.1-2-4; IC 6-1.1-31

Sec. 5. (a) The owner (lessor) of personal property covered by operating leases has the responsibility for reporting such property for assessment and taxation in the taxing district where the property was located on the assessment date. This section does not relieve the person holding, possessing, or controlling (lessee) personal property covered by operating leases of the responsibility to file a complete listing, on Form 103-N, of not owned personal property nor the responsibility to pay such taxes if not paid by the owner of the property.

(b) The person holding, possessing, or controlling (lessee) personal property covered by capital leases has the responsibility for reporting such property for assessment and taxation in the taxing district where the property was located on the assessment date. This section does not relieve the owner (lessor) of personal property covered by a capital lease of the responsibility to file a complete listing, on Form 103-O, of all owned personal property that was in the possession of another person nor the responsibility to pay such taxes if not paid by the lessee. (*State Board of Tax Commissioners; 50 IAC 4.3-8-5*)

#### **50 IAC 4.3-8-6 Valuation; base year value defined**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 6. (a) The base year value of the leased property, plus freight and installation costs, must be used in determining the value of leased personal property subject to assessment.

(b) As used in this section, "base year value" means the dollar amount that a willing buyer would pay the owner in an arm's-length transaction to acquire the personal property encumbered by the lease at the beginning of the lease term.

(c) For purposes of applying this section to a specific situation, base year value shall be computed in the following order of preference:

- (1) The alternative acquisition cost, which is the amount stated in the lease the lessee would have had to pay

to purchase the leased property instead of leasing it. This will be deemed to be the base year value, provided that the local assessor or state board does not determine that such amount is not reflective of the market value of the leased property.

(2) The factory delivered price for the personal property subject to the lease plus freight, installation costs, and a profit factor.

(3) The present value of the lease payments at the inception of the lease computed in accordance with section 10 of this rule.

(4) The insurable value in the year the lease was first consummated.

(5) The capitalized value of the annual lease payments over the term of the lease.

(d) If the state board issues an instructional bulletin or administrative adjudication prescribing the base year value of certain property pursuant to this article, such prescribed value shall be the base year value of the property. (*State Board of Tax Commissioners; 50 IAC 4.3-8-6*)

#### **50 IAC 4.3-8-7 Pools for base year values; summation by year placed in service**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 7. (a) The base year value of all leased personal property reported in a tax return is required to be segregated for Indiana property tax purposes into four (4) separate pools in accordance with 50 IAC 4.3-4-6. The depreciable life utilized for federal income tax purposes determines the pool to be utilized and are as follows:

(1) Pool No. 1: One (1) through four (4) year life.

(2) Pool No. 2: Five (5) through eight (8) year life.

(3) Pool No. 3: Nine (9) through twelve (12) year life.

(4) Pool No. 4: Thirteen (13) year or longer life.

(b) Sum the base year values of items of same pools and year placed in service and report the summed values in the appropriate pool. (*State Board of Tax Commissioners; 50 IAC 4.3-8-7*)

#### **50 IAC 4.3-8-8 Determination of true tax value**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 8. The true tax value of leased personal property is computed by multiplying the summed base year values in the respective pools by the percentage factor provided on the Form 103, Schedule A-1. This percentage factor reflects all adjustments except for abnormal obsolescence. (*State Board of Tax Commissioners; 50 IAC 4.3-8-8*)

#### **50 IAC 4.3-8-9 Abnormal obsolescence adjustment**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 9. The true tax value computed in section 8 of this rule may be adjusted for abnormal obsolescence pursuant to 50 IAC 4.3-9-3. (*State Board of Tax Commissioners; 50 IAC 4.3-8-9*)

#### **50 IAC 4.3-8-10 Present value of personal property leases**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 10. (a) Pursuant to section 6(c)(3) of this rule, the state board has prescribed the following for the computation of the present value of leased personal property:

(1) If ownership of the property is transferred to the lessee (or may transfer if one (1) of the parties exercises an option) at or before the end of the lease, the term of the lease shall be the term used for computation of the present value.

(2) If title to the property is not transferred to the lessee, the prescribed federal tax depreciable life of the asset at the inception of the lease shall be the term for computing the present value.

(3) If the length of the lease is not specific, the prescribed federal tax depreciable life of the asset at the inception

of the lease shall be the term for computing the present value.

(4) If the lease contains a balloon payment, such payment must be included in the present value computation. A balloon payment is a lump-sum payment scheduled at the inception of, during, or at the conclusion of the lease.

(5) If the lease indicates the rate of interest included in the payments, such rate shall be used for computing the present value.

(6) If no interest rate is stated in the lease, the rate to be used in the computation shall be the Federal Reserve Bank prime commercial bank loan rate on the March 1 nearest to the inception of the lease. The state board shall publish such rates annually.

(7) If the amount of any payment (including balloon payments) is not known at the inception of the lease, the present value of the lease payments cannot be computed, and therefore may not be used for determining the base year value.

(8) If the present value computed in accordance with this section does not result in a reasonable valuation, at the discretion of the state board the computed present value may not be used as the base year value.

*(State Board of Tax Commissioners; 50 IAC 4.3-8-10)*

## **Rule 9. Obsolescence**

### **50 IAC 4.3-9-1 “Obsolescence” defined**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 1. (a) “Obsolescence” means a loss in value caused by inutility within the item of personal property or by changes in demand for the goods produced by the item of personal property. Obsolescence may be caused by:

(1) defects in:

(A) design;

(B) style;

(B) capacity; or

(2) a deficiency; or

(3) a superadequacy; or

(4) changes in the tastes of buyers in the marketplace.

(b) Functional obsolescence is a loss in value due to impairment of functional capacity as a result of inadequacy, over capacity, or changes in the state of the art.

(c) External obsolescence is a loss in value arising from forces outside the property itself.

*(State Board of Tax Commissioners; 50 IAC 4.3-9-1)*

### **50 IAC 4.3-9-2 “Normal obsolescence” defined**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 2. “Normal obsolescence” means the anticipated or expected reduction in the value of business personal property that can be foreseen by a reasonable, prudent businessperson when property is acquired and placed into service. In general, it includes the expected gradual decline in value because of expected technological innovations and the general assumption that such property will have a minimum value at the end of its useful life. The depreciation allowed pursuant to 50 IAC 4.3-4 accounts for normal obsolescence as well as physical deterioration through the use of historical cost and short useful lives. *(State Board of Tax Commissioners; 50 IAC 4.3-9-2)*

### **50 IAC 4.3-9-3 “Abnormal obsolescence” defined**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 3. (a) “Abnormal obsolescence” means obsolescence that occurs as a result of factors over which the taxpayer has no control and is unanticipated, unexpected, and cannot reasonably be foreseen by a prudent businessperson before the occurrence. It is of a nonrecurring nature and includes unforeseen changes in market

values and exceptional technological innovations that have a direct effect upon the value of the personal property. Any abnormal obsolescence that affects the personal property must be considered separately since it has not been accounted for in normal obsolescence or physical deterioration. Abnormal obsolescence is calculated using different methodologies depending upon the type of inutility it represents. There are numerous methodologies and, as a general rule, common appraisal concepts and methods may be used to determine abnormal obsolescence. However, any method used must qualify and quantify any abnormal obsolescence claimed. The invention of newer, more productive personal property that produces a better quality item, utilizes state of the art technology, or produces more efficiently at a lower cost of production, does not cause an older, currently used asset to be considered abnormally obsolete unless the change was unanticipated, unexpected, or could not have reasonably been foreseen by a prudent business person.

(b) An example of unforeseen change in market value (external obsolescence) is a government ban on the sale of a drug or chemical that may cause that item or the production equipment used to produce it to be abnormally obsolete. In this case, the equipment used to produce it may be eligible for abnormal obsolescence, while the inventory should be valued at the lower of cost or market as provided in this article and will not be entitled to abnormal obsolescence.

(c) An example of exceptional technological innovation (functional obsolescence) would be compact disc (CD) technology. In this case, the equipment used to produce and play long play (LP) records may be eligible for abnormal obsolescence, while the inventory (LPs) should be valued at the lower of cost or market as provided in this article and will not be entitled to abnormal obsolescence. Abnormal obsolescence due to exceptional technological innovation should be recognized to the extent that it causes the subject property to be incapable of use for current production or adaptation to a different use. (*State Board of Tax Commissioners; 50 IAC 4.3-9-3*)

#### **50 IAC 4.3-9-4 Allowance of abnormal obsolescence claim**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 4. (a) Abnormal obsolescence should be recognized to the extent that the taxpayer can demonstrate that the property qualifies for abnormal obsolescence and can quantify the amount. This must be done through a presentation of the facts, circumstances, and methodology used in calculating the amount of the abnormal obsolescence.

(b) The adjustment for abnormal obsolescence must be computed in accordance with this article for each respective item of personal property or portion of a production process.

(c) When the reporting requirements for an adjustment for abnormal obsolescence have been met (full disclosure), but the adjustment is not allowed or the amount of adjustment is changed, the amount not allowed is not subject to the undervaluation penalty set forth in this article. (*State Board of Tax Commissioners; 50 IAC 4.3-9-4*)

#### **50 IAC 4.3-9-5 Limitation**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 5. The availability of abnormal obsolescence is limited to that which is not already reflected on the books and records of the taxpayer. (*State Board of Tax Commissioners; 50 IAC 4.3-9-5*)

#### **50 IAC 4.3-9-6 Reporting of abnormal obsolescence**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 6. The taxpayer may claim an adjustment for abnormal obsolescence on the appropriate forms prescribed in this article when filing the tax return for the year in question. The adjustment, if requested, must specifically:

(1) identify all property for which an adjustment is requested;

- (2) indicate the original cost of the property;
- (3) indicate the true tax value of the property as if no adjustment would be allowed;
- (4) indicate the true tax value of the property as a result of the requested adjustment; and
- (5) provide sufficient detail in order to effectively qualify and quantify the claim.

*(State Board of Tax Commissioners; 50 IAC 4.3-9-6)*

## **Rule 10. Interstate Carriers**

### **50 IAC 4.3-10-1 Valuation of carriers' property**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-11

**Sec. 1.** Commercial airlines and buslines are required to compute the true tax value of their fleets in accordance with the provisions of 50 IAC 4.3-4. However, if such property is leased, the true tax value is required to be computed in accordance with 50 IAC 4.3-8. The computed true tax value is further subject to allocation as provided in this rule. In either case, the taxpayer shall report the true tax value on the appropriate forms discussed in 50 IAC 4.3-2. *(State Board of Tax Commissioners; 50 IAC 4.3-10-1)*

### **50 IAC 4.3-10-2 Commercial airlines; allocation and true tax value**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31; IC 6-6-6.5

**Sec. 2. (a)** As used in this rule, "commercial airline" means an airline with regularly scheduled flights and routes authorized and approved by the federal aviation administration.

**(b)** The fleet of the commercial airline is aircraft that the taxpayer owns, holds, possesses, or controls that is used and operated in interstate commerce.

**(c)** Commercial airlines are required to report the total value and type of aircraft operating in this state.

**(d)** An allocation must be made for each type of aircraft operated. The allocation factor for each type of aircraft is computed by dividing the total ground time in the taxing district of each type of aircraft for the preceding twelve (12) months by the total ground time of each type of aircraft operated for the same period.

**(e)** The true tax value of each type of aircraft is determined by multiplying the percentages as computed in subsection (d) times the tentative true tax value of each type of aircraft computed in accordance with section 1 of this rule. *(State Board of Tax Commissioners; 50 IAC 4.3-10-2)*

### **50 IAC 4.3-10-3 Commercial busline; allocation and true tax value**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-11; IC 6-1.1-31

**Sec. 3. (a)** As used in this rule, "commercial busline" means a company for hire that is principally engaged in the business of transporting persons by bus, and exclusively operates charter buses, which do not have scheduled routes.

**(b)** The fleet of the commercial busline includes the buses the taxpayer owns, holds, possesses, or controls that are used and operated in interstate commerce.

**(c)** Personal property required to be reported under this rule. The fleet of the commercial busline is required to be valued pursuant to section 1 of this rule.

**(d)** An allocation must be made for the fleet of buses operated. The allocation factor for the fleet is computed by dividing the total Indiana miles of the fleet for the preceding twelve (12) months by the total miles of the fleet for the same period.



(e) As an alternative to maintaining a mileage log of all trips, individual lessors, who do not maintain adequate records to compute their allocation factor, may use the same allocation factor as their lessee provided that the lessor's property is predominantly leased to that lessee. The lessor must meet the predominant use requirement in order to use the lessee's allocation factor. If the lessor does not meet the predominant use requirement, the lessor must use the actual allocation factor as determined in subsection (d). As used in this section, "predominant use" means:

- (1) during the course of the year, more than fifty percent (50%) of the total mileage logged by the lessor's buses is logged by buses under lease to that lessee; or
- (2) during the course of the year, the leased property is leased to that lessee for more than one-half (1/2) the number of days in that year.

(f) The total true tax value of the fleet subject to assessment under this section is determined by multiplying the true tax value as determined in section 1 of this rule, by the allocation factor determined in subsection (d) or (e). *(State Board of Tax Commissioners; 50 IAC 4.3-10-3)*

#### **50 IAC 4.3-10-4 Scope of rule**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

**Sec. 4.** This section is applicable only to the aircraft of the commercial airlines and the buses of commercial buslines used and operated in interstate commerce. This section is not applicable to the other classes of personal property that the taxpayer may own, hold, possess, or control. The other classes of personal property must be reported and valued pursuant to the respective provisions of this article. *(State Board of Tax Commissioners; 50 IAC 4.3-10-4)*

### **Rule 11. Deductions and Exemptions for Tangible Personal Property Other than Inventory**

#### **50 IAC 4.3-11-1 Exemptions**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-10; IC 6-1.1-11; IC 6-1.1-31

**Sec. 1.** For information on exemptions see IC 6-1.1-10 and IC 6-1.1-11. *(State Board of Tax Commissioners; 50 IAC 4.3-11-1)*

#### **50 IAC 4.3-11-2 Deductions**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-11; IC 6-1.1-1-12; IC 6-1.1-31; IC 6-1.1-40; IC 6-1.1-42

**Sec. 2.** For information on deductions see IC 6-1.1-12, IC 6-1.1-40, and IC 6-1.1-42. *(State Board of Tax Commissioners; 50 IAC 4.3-11-2)*

### **Rule 12. Deductions; Exemptions; Credits for Inventory**

#### **50 IAC 4.3-12-1 General inventory exemption provisions**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-10-40; IC 6-1.1-11-1; IC 6-1.1-12; IC 6-1.1-20.7; IC 6-1.1-20.8; IC 6-1.1-40; IC 26-1-1-201

**Sec. 1. (a)** In order for inventory to be exempt in Indiana, the property must first be reported and then claimed exempt annually on a timely filed business tangible personal property return. There are eight (8) sections within the statutes that contain the eligibility requirements for the exemption of goods considered to be in interstate commerce. These are summarized in the following table:

IC Site	Owned by	Origin of Goods	Stored in Warehouse	Additional Specific Requirements
IC 6-1.1-10-29(b)	Manufacturer or processor ***	In-state	Public or private	1. See specific explanation of manufacturer or processor;

IC 6-1.1-10-29(b)	Manufacturer or processor ***	In-state	Public or private	2. Stored and remains in original package without further processing; or
				3. Consists of books or other printed material stored at in state commercial printers facility without further processing.
IC 6-1.1-10-29.3	Resident or nonresident	Out-of-state	Public or private	1. Need not be stored in original package provided no additional manufacturing or processing except for packaging; and
				2. Either, the property will be damaged or have its value impaired if it is stored in its original package; or the final packaging of finished inventory items is not practical until receipt of final customer order because fulfillment or the order requires accumulation of a number of distinct finished inventory items into a single shipping order.
IC 6-1.1-10-30(a)	Nonresident	Out-of-state	Public or private	Owner of possessor is able to show by adequate records that the:
				1. Goods are stored in an in-state warehouse for the purpose of trans-shipment to an out- of-state destination; and
IC 6-1.1-10-30(b)	Resident or nonresident	In-state or out-of-state	Public or private	2. The goods are ready for transshipment without additional manufacturing or processing, except repackaging.
				The owner is able to show by adequate records that the property has been shipped into this state and placed in its original package for transshipment to an out-of-state destination. The property remains in its original package.
IC 6-1.1-10-30(c)	Resident or nonresident	In-state	Public (only)	Property had been ordered prior to assessment date and is ready for shipment to a specific known out-of-state destination and is subsequently shipped. If property claimed exempt is not shipped to the specific known destination, the taxpayer shall file an amended personal property return for the year the exemption was claimed. Property is stored and remains in its original package.
				Property was shipped and remains in its original package in a public warehouse. Property was shipped to the warehouse by either a common, contract or private carrier. Property being held for transshipment to out-of-state destination and labeled to show that purpose. Owner must be able to show by adequate records that the property meets the above criteria. Also, taxpayer who possesses the personal property of others may claim an exemption provided the taxpayer has reported the property and the taxpayer can show the owner would have qualified for the exemption.

IC 6-1.1-10-30.5	Resident or nonresident	Out-of-state	Foreign trade zone	Personal property is exempt provided the property is held, on the assessment date, in a foreign trade zone established under 19 U.S.C. 81; and the property was either imported into the foreign trade zone from a foreign country or was placed in the foreign trade zone exclusively for export to a foreign country.
IC 6-1.1-10-40	Resident or nonresident	In-state or out-of-state	Facility approved by contract Market and Commodity Exchange Act	All the requirements for this exemption explained in IC 6-1.1-10-40.

\*\*\*The manufacturer or processor that possesses personal property owned by another person may claim the exemption if:

- (1) The manufacturer or processor includes the property on the manufacturer's or processor's personal property return; and
- (2) The manufacturer or processor is able to show that the owner of the personal property would otherwise have qualified for an exemption under this section.

In addition to these interstate exemptions, several other exemptions, deductions, and credits are described in IC 6-1.1-10, IC 6-1.1-11, IC 6-1.1-12, IC 6-1.1-20.7, IC 6-1.1-20.8, and IC 6-1.1-40.

(b) Form 103-W has been prescribed by the state board as the form on which to claim an interstate or foreign trade zone inventory exemption. Form EZ1 has been prescribed as the form on which to claim an enterprise zone inventory credit, Form IR-1 for claiming an industrial recovery site inventory credit, and Form MOD-1 for claiming a maritime opportunity district inventory deduction.

(c) These exemptions, deductions, and credits will be permitted to taxpayers who timely file and show the amount of their claim for exemption on the proper line of the prescribed return forms, provided the taxpayer is able to document all of the evidence required, when required to do so by any assessing official or the state board.

(d) An exemption is a privilege which may be waived by a person who owns tangible property that would qualify for the exemption. If the owner does not comply with the statutory procedures for obtaining an exemption, the owner waives the exemption. If the exemption is waived, the property is subject to taxation (IC 6-1.1-11-1). *(State Board of Tax Commissioners; 50 IAC 4.3-12-1)*

## 50 IAC 4.3-12-2 Definitions

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-10; IC 6-1.1-11-1; IC 26-1-1-201

Sec. 2. The following definitions apply throughout this rule:

(1) "Adequate records" means the following:

(A) As used in IC 6-1.1-10-29, IC 6-1.1-10-29.3, IC 6-1.1-10-30(a), and IC 6-1.1-10-30(c), includes:

(i) a designation on:

(AA) a bill of lading;

(BB) a freight bill;

(CC) a delivery receipt;

(DD) a manifest;

(EE) a packing slip; or

(FF) an equivalent document; or

(ii) a final entry;

in the records of the taxpayer indicating that property is held for shipment to an out-of-state destination. Such a designation for out-of-state shipment is sufficient for purposes of IC 6-1.1-10-29, IC 6-1.1-10-29.3, IC 6-1.1-10-30(a), and IC 6-1.1-10-30(c), even though the specific out-of-state destination of the property is not

included in the designation and even though the destination of the property is unknown on the assessment date.

(B) For the purpose of substantiating the amount of personal property that is exempt from property taxation under IC 6-1.1-10-29, IC 6-1.1-10-29.3, IC 6-1.1-10-30(a), and IC 6-1.1-10-30(c), a taxpayer shall maintain records that reflect the specific type and amount of personal property claimed to be exempt so that the taxpayer's taxable personal property may be distinguished from its exempt personal property. In lieu of specific identification, the taxpayer may elect to establish the value of their exempt personal property by utilizing an allocation method whereby the exempt personal property is determined by dividing:

- (i) the value of the taxpayer's property shipped from the in-state warehouse to out-of-state destinations during the twelve (12) month period ending with the assessment date; by
- (ii) the total value of all shipments of the taxpayer's property from the in-state warehouse during the same period of time, and applying this ratio to the taxpayer's total inventory of personal property that has been placed in the in-state warehouse, that is in the in-state warehouse as of the assessment date, and that meets the other requirements for an exemption under IC 6-1.1-10-29, IC 6-1.1-10-29.3, IC 6-1.1-10-30(a), or IC 6-1.1-10-30(c).

(C) If the taxpayer uses the allocation method, the taxpayer shall keep records which adequately establish the validity of the allocation.

(D) If the taxpayer elects to keep a specific inventory, the taxpayer shall maintain additional records that reflect:

- (i) an accurate inventory of all personal property stored in an in-state warehouse, i.e., both inventory destined for points outside the state and inventory destined for points within the state;
- (ii) the date of deposit of the inventory in the in-state warehouse;
- (iii) the date of withdrawal of the inventory from the in-state warehouse; and
- (iv) the point of ultimate destination of the shipments, if known.

For the purpose of this subdivision, "warehouse" means an area, enclosure, building, or public or private structure maintained for the storage of inventory or other tangible personal property. This includes a commercial printer's facility.

(2) "Average inventory-inventory exemption" means if a taxpayer elects to report the calendar year average inventory and claim an interstate commerce exemption, the exemption must be computed for each month under the same subsection. The allowable exemption claim would then be the average of the amounts that would qualify at the end of each month.

(3) "Bill of lading" means a document evidencing the receipt of goods for shipment issued by a person engaged in the business of transporting or forwarding goods, and includes an air bill as defined in IC 26-1-1-201(6).

(4) "Manufacturer or processor" has the meaning as set forth in IC 6-1.1-10-29.

(5) "Nonresident" means a taxpayer who places property in the original package and into the stream of commerce from outside of Indiana. This relates to the location the property is placed into commerce and not to whether the company is based outside of Indiana. For example, if the goods are being shipped into Indiana from out-of-state, then the person would be considered a nonresident.

(6) "Original package" means the box, case, bale, skid, bundle, parcel, or aggregation thereof bound together and used by the seller, manufacturer, or packer for shipment.

(7) "Resident" means the opposite of a nonresident. If the goods are placed into the stream of commerce from within Indiana, the person would be considered a resident.

*(State Board of Tax Commissioners; 50 IAC 4.3-12-2)*

### **50 IAC 4.3-12-3 Government-owned inventory**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-10; IC 6-1.1-11-1; IC 26-1-1-201

**Sec. 3. (a) Inventory that will qualify for exemption as government-owned property includes the following:**

- (1) Finished goods and work-in-process, title to which is held by the government, pursuant to the applicable contract or subcontract.
- (2) Materials and supplies furnished by the government for use in performing the contract or subcontract.
- (3) Raw materials and supplies allocated to a government contract or subcontract that vests title to the government.

(b) If the inventory is allocated to government contracts, the allocation must be substantiated by:

- (1) purchase documents that assign the property to the government contract;
- (2) transfer of the property from common or general stores to the specific contract by requisition, work order, or other accounting document; or
- (3) any other method that indicates clearly and factually that the proper allocation to government contracts was made.

(c) In general, the following types of contracts and subcontracts have title clauses pursuant to which the government acquires ownership of inventory prior to acceptance of the finished goods:

- (1) Fixed price type contracts or subcontracts with progress payments.
- (2) Cost reimbursement type contracts or subcontracts.

(d) In any event, passage of title is governed by the terms of each individual contract.

(e) It is a requirement that the taxpayer first report all inventory (including government-owned) on the proper lines of the Form 103. The inventory deemed to qualify as government-owned is then exempted by filing the Form 103-W and reporting the total exempt inventory on the required line on Form 103. (*State Board of Tax Commissioners; 50 IAC 4.3-12-3*)

### **Rule 13. Principal Business Activity Codes**

#### **50 IAC 4.3-13-1 Principal business activities and associated codes**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 1. (a) This section establishes a list of the principal business activities and their associated codes. These six-digit codes are based upon the North American Industry Classification System (NAICS). Additional information about NAICS can be found at the following URL <http://www.census.gov/epcd/www/naics.html> or <http://www.naics.com/search.htm>.

(b) It is a requirement that each taxpayer determine the business activity and the associated six-digit activity code and enter it on the front page of the Form 102, Form 103 short form, and Form 103 long form in the box titled "principal business activity code".

(c) Example of use, do the following:

- (1) First, determine the category that best describes your primary business activity (for example, Retail Trade/Motor Vehicle and Parts Dealer).
- (2) Next, determine the type of business (for example, New Car Dealer).
- (3) The six-digit NAICS code is #441110.
- (4) Enter this code on the appropriate form in the box titled "principal business activity code".

(d) The following is the list of principal business activities and their associated codes:

#### **Agriculture, Forestry, Fishing, and Hunting**

##### **Crop Production**

- |               |  |
|---------------|--|
| <b>111100</b> | <b>Oilseed &amp; Grain Farming</b>                                   |
| <b>111210</b> | <b>Vegetable &amp; Melon Farming (including potatoes &amp; yams)</b> |
| <b>111300</b> | <b>Fruit &amp; Tree Nut Farming</b>                                  |
| <b>111400</b> | <b>Greenhouse, Nursery, &amp; Floriculture Production</b>            |

**111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet & all other crop farming)**

**Animal Production**

**112111 Beef Cattle Ranching & Farming**

**112112 Cattle Feedlots**

**112120 Dairy Cattle & Milk Production**

**112210 Hog & Pig Farming**

**112300 Poultry & Egg Production**

**112400 Sheep & Goat Farming**

**112510 Animal Aquaculture (including shellfish & finfish farms & hatcheries)**

**112900 Other Animal Production**

**Forestry and Logging**

**113110 Timber Tract Operations**

**113210 Forest Nurseries & Gathering of Forest Products**

**113310 Logging**

**Fishing, Hunting, and Trapping**

**114110 Fishing**

**114210 Hunting & Trapping**

**Support Activities for Agriculture and Forestry**

**115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)**

**115210 Support Activities for Animal Production**

**115310 Support Activities for Forestry**

**Mining**

**211110 Oil & Gas Extraction**

**212110 Coal Mining**

**212200 Metal Ore Mining**

**212310 Stone Mining & Quarrying**

**212320 Sand, Gravel, Clay, & Ceramic & Refractory Minerals Mining & Quarrying**

**212390 Other Nonmetallic Mineral Mining & Quarrying**

**213110 Support Activities for Mining**

**Utilities**

**221100 Electric Power Generation, Transmission & Distribution**

**221210 Natural Gas Distribution**

**221300 Water, Sewage, & Other Systems**

**Construction**

**Building, Developing, and General Contracting**

**233110 Land Subdivision & Land Development**

**233200 Residential Building Construction**

**233300 Nonresidential Building Construction**

**Heavy Construction**

234100 Highway, Street, Bridge, & Tunnel Construction  
 234900 Other Heavy Construction  
 Special Trade Contractors  
 235110 Plumbing, Heating, & Air-Conditioning Contractors  
 235210 Painting & Wall Covering Contractors  
 235310 Electrical Contractors  
 235400 Masonry, Drywall, Insulation, & Tile Contractors  
 235500 Carpentry & Floor Contractors  
 235710 Concrete Contractors  
 235810 Water Well Drilling Contractors  
 235900 Other Special Trade Contractors  
 Manufacturing  
 Food Manufacturing  
 311110 Animal Food Mfg  
 311200 Grain & Oilseed Milling  
 311300 Sugar & Confectionery Product Mfg  
 311400 Fruit & Vegetable Preserving & Specialty Food Mfg  
 311500 Dairy Product Mfg  
 311610 Animal Slaughtering and Processing  
 311710 Seafood Product Preparation & Packaging  
 311800 Bakeries & Tortilla Mfg  
 311900 Other Food Mfg (including coffee, tea, flavorings, & seasonings)  
 Beverage and Tobacco Product Manufacturing  
 312110 Soft Drink & Ice Mfg  
 312120 Breweries  
 312130 Wineries  
 312140 Distilleries  
 312200 Tobacco Manufacturing  
 Textile Mills and Textile Product Mills  
 313000 Textile Mills  
 314000 Textile Product Mills  
 Apparel Manufacturing  
 315100 Apparel Knitting Mills  
 315210 Cut & Sew Apparel Contractors  
 315220 Men's & Boys' Cut & Sew Apparel Mfg  
 315230 Women's & Girls' Cut & Sew Apparel Mfg  
 315290 Other Cut & Sew Apparel Mfg  
 315990 Apparel Accessories & Other Apparel Mfg  
 Leather and Allied Product Manufacturing  
 316110 Leather & Hide Tanning & Finishing  
 316210 Footwear Mfg (including rubber & plastics)  
 316990 Other Leather & Allied Product Mfg  
 Wood Product Manufacturing  
 321110 Sawmills & Wood Preservation

321210 Veneer, Plywood, & Engineered Wood  
 Product Mfg  
 321900 Other Wood Product Mfg  
**Paper Manufacturing**  
 322100 Pulp, Paper, & Paperboard Mills  
 322200 Converted Paper Product Mfg  
**Printing and Related Support Activities**  
 323100 Printing & Related Support Activities  
**Petroleum and Coal Products Manufacturing**  
 324110 Petroleum Refineries (including integrated)  
 324120 Asphalt Paving, Roofing, & Saturated  
 Materials Mfg  
 324190 Other Petroleum & Coal Products Mfg  
**Chemical Manufacturing**  
 325100 Basic Chemical Mfg  
 325200 Resin, Synthetic Rubber, & Artificial &  
 Synthetic Fibers & Filaments Mfg  
 325300 Pesticide, Fertilizer, & Other Agriculture  
 Chemical Mfg  
 325410 Pharmaceutical & Medicine Mfg  
 325500 Paint, Coating, & Adhesive Mfg  
 325600 Soap, Cleaning, Compound, & Toilet  
 Preparation Mfg  
 325900 Other Chemical Product & Preparation Mfg  
**Plastics and Rubber Products Manufacturing**  
 326100 Plastics Product Mfg  
 326200 Rubber Product Mfg  
**Nonmetallic Mineral Product Manufacturing**  
 327100 Clay Product & Refractory Mfg  
 327210 Glass & Glass Product Mfg  
 327300 Cement & Concrete Product Mfg  
 327400 Lime & Gypsum Product Mfg  
 327900 Other Nonmetallic Mineral Product Mfg  
**Primary Metal Manufacturing**  
 331110 Iron & Steel Mills & Ferroalloy Mfg  
 331200 Steel Product Mfg from Purchased Steel  
 331310 Alumina & Aluminum Production &  
 Processing  
 331400 Nonferrous Metal (except Aluminum)  
 Production & Processing  
 331500 Foundries  
**Fabricated Metal Product Manufacturing**  
 332110 Forging & Stamping  
 332210 Cutlery & Handtool Mfg  
 332300 Architectural & Structural Metals Mfg  
 332400 Boiler, Tank, & Shipping Container Mfg  
 332510 Hardware Mfg  
 332610 Spring & Wire Product Mfg



332700 Machine Shops: Turned Product: & Screw,  
 Nut, & Bolt Mfg  
 332810 Coating, Engraving, Heat Treating, & Allied  
 Activities  
 332900 Other Fabricated Metal Product Mfg  
**Machinery Manufacturing**  
 333100 Agriculture, Construction, & Mining  
 Machinery Mfg  
 333200 Industrial Machinery Mfg  
 333310 Commercial & Service Industry Machinery  
 Mfg  
 333410 Ventilation, Heating, Air-Conditioning, &  
 Commercial Refrigeration Equipment Mfg  
 333510 Metalworking Machinery Mfg  
 333610 Engine, Turbine, & Power Transmission  
 Equipment Mfg  
 333900 Other General Purpose Machinery Mfg  
**Computer and Electronic Product Manufacturing**  
 334110 Computer & Peripheral Equipment Mfg  
 334200 Communications Equipment Mfg  
 334310 Audio & Video Equipment Mfg  
 334410 Semiconductor & Other Electronical  
 Component Mfg  
 334500 Navigational, Measuring, Electromedical, &  
 Control Instruments Mfg  
 334610 Manufacturing & Reproducing  
 Magnetic & Optical Media  
**Electrical Equipment, Appliance, and Component  
 Manufacturing**  
 335100 Electric Lighting Equipment Mfg  
 335200 Household Appliance Mfg  
 335310 Electrical Equipment Mfg  
 335900 Other Electrical Equipment & Component  
 Mfg  
**Transportation Equipment Manufacturing**  
 336100 Motor Vehicle Mfg  
 336210 Motor Vehicle Body & Trailer Mfg  
 336300 Motor Vehicle Parts Mfg  
 336410 Aerospace Product & Parts Mfg  
 336510 Railroad Rolling Stock Mfg  
 336610 Ship & Boat Building  
 336990 Other Transportation Equipment Mfg  
**Furniture and Related Product Manufacturing**  
 337100 Furniture & Related Product Mfg  
**Miscellaneous Manufacturing**  
 339110 Medical Equipment & Supplies  
 Manufacturing  
 339900 Other Miscellaneous Mfg  
**Wholesale Trade**

**Wholesale Trade, Durable Goods**

- 421100 Motor Vehicle & Motor Vehicle Parts & Supplies Wholesalers**
- 421200 Furniture & Home Furnishing Wholesalers**
- 421300 Lumber & Other Construction Materials Wholesalers**
- 421400 Professional & Commercial Equipment & Supplies Wholesalers**
- 421500 Metal & Mineral (except Petroleum) Wholesalers**
- 421600 Electrical Goods Wholesalers**
- 421700 Hardware, & Plumbing & Heating Equipment & Supplies Wholesalers**
- 421800 Machinery, Equipment, & Supplies Wholesalers**
- 421910 Sporting & Recreational Goods & Supplies Wholesalers**
- 421920 Toy & Hobby Goods & Supplies Wholesalers**
- 421930 Recyclable Material Wholesalers**
- 421940 Jewelry, Watch, Precious Stone, & Precious Metal Wholesalers**
- 421990 Other Miscellaneous Durable Goods Wholesalers**

**Wholesale Trade, Nondurable Goods**

- 422100 Paper & Paper Product Wholesalers**
- 422210 Drugs & Druggists' Sundries Wholesalers**
- 422300 Apparel, Piece Goods, & Notions Wholesalers**
- 422400 Grocery & Related Product Wholesalers**
- 422500 Farm Product Raw Material Wholesalers**
- 422600 Chemical & Allied Products Wholesalers**
- 422700 Petroleum & Petroleum Products Wholesalers**
- 422800 Beer, Wine, & Distilled Alcoholic Beverage Wholesalers**
- 422910 Farm Supplies Wholesalers**
- 422920 Book, Periodical, & Newspaper Wholesalers**
- 422930 Flower, Nursery Stock, & Florists' Supplies Wholesalers**
- 422940 Tobacco & Tobacco Product Wholesalers**
- 422950 Paint, Varnish, & Supplies Wholesalers**
- 422990 Other Miscellaneous Nondurable Goods Wholesalers**

**Retail Trade****Motor Vehicle and Parts Dealers**

- 441110 New Car Dealers**
- 441120 Used Car Dealers**

**Motor Vehicle and Parts Dealers**

- 441210 Recreational Vehicle Dealers**
- 441221 Motorcycle Dealers**
- 441222 Boat Dealers**

441229 All Other Motor Vehicle Dealers  
 441300 Automotive Parts, Accessories, & Tire Stores  
**Furniture and Home Furnishings Stores**  
 442110 Furniture Stores  
 442210 Floor Covering Stores  
 442291 Window Treatment Stores  
 442299 All Other Home Furnishings  
**Electronics and Appliance Stores**  
 443111 Household Appliance Stores  
 443112 Radio, Television, & Other Electronics Stores  
 443120 Computer & Software Stores  
 443130 Camera & Photographic Supplies Stores  
**Building Material and Garden**  
**Equipment and Supplies Dealers**  
 444110 Home Centers  
 444120 Paint & Wallpaper Stores  
 444130 Hardware Stores  
 444190 Other Building Material Dealers  
 444200 Lawn & Garden Equipment & Supplies  
 Stores  
**Food and Beverage Stores**  
 445110 Supermarkets and Other Grocery (except  
 Convenience) Stores  
 445120 Convenience Stores  
 445210 Meat Markets  
 445220 Fish & Seafood Markets  
 445230 Fruit & Vegetable Markets  
 445291 Baked Goods Stores  
 445292 Confectionery & Nut Stores  
 445299 All Other Specialty Food Stores  
 445310 Beer, Wine, & Liquor Stores  
**Health and Personal Care Stores**  
 446110 Pharmacies & Drug Stores  
 446120 Cosmetics, Beauty Supplies & Perfume Stores  
 446130 Optical Goods Stores  
 446190 Other Health & Personal Care Stores  
**Gasoline Stations**  
 447100 Gasoline Stations (including Convenience  
 Stores with gas)  
**Clothing and Clothing Accessories Stores**  
 448110 Men's Clothing Stores  
 448120 Women's Clothing Stores  
 448130 Children's & Infants' Clothing Stores  
 448140 Family Clothing Stores  
 448150 Clothing Accessories Stores  
 448190 Other Clothing Stores  
 448210 Shoe Stores  
 448310 Jewelry Stores

448320 Luggage & Leather Goods Stores  
 Sporting Goods, Hobby, Book, and Music Stores  
 451110 Sporting Goods Stores  
 451120 Hobby, Toy, & Game Stores  
 451130 Sewing, Needlework, & Piece Goods Stores  
 451140 Musical Instrument & Supplies Stores  
 451211 Book Stores  
 451212 News Dealers & Newsstands  
 451220 Prerecorded Tape, Compact Disc, & Record Stores  
 General Merchandise Stores  
 452110 Department Stores  
 452900 Other General Merchandise Stores  
 Miscellaneous Store Retailers  
 453110 Florists  
 453210 Office Supplies & Stationery Stores  
 453220 Gift, Novelty, & Souvenir Stores  
 453310 Used Merchandise Stores  
 453910 Pet & Pet Supplies Stores  
 453920 Art Dealers  
 453930 Manufactured (Mobile) Home Dealers  
 453990 All Other Miscellaneous Store Retailers  
 (including tobacco, candle, & trophy shops)  
 Nonstore Retailers  
 454110 Electronic Shopping & Mail-Order Houses  
 454210 Vending Machine Operators  
 454311 Heating Oil Dealers  
 454312 Liquefied Petroleum Gas (Bottled Gas) Dealers  
 454319 Other Fuel Dealers  
 454390 Other Direct Selling Establishments  
 (including door-to-door retailing, frozen food  
 plan providers, party plan merchandisers, &  
 coffee-break service providers)  
 Transportation and Warehousing  
 Air, Rail, and Water Transportation  
 481000 Air Transportation  
 482110 Rail Transportation  
 483000 Water Transportation  
 Truck Transportation  
 484110 General Freight Trucking, Local  
 484120 General Freight Trucking, Long-distance  
 484200 Specialized Freight Trucking  
 Transit and Ground Passenger Transportation  
 485110 Urban Transit Systems  
 485210 Interurban & Rural Bus Transportation  
 485310 Taxi Service  
 485320 Limousine Service  
 485410 School & Employee Bus Transportation

485510 Charter Bus Industry  
 485990 Other Transit & Ground Passenger  
           Transportation  
 Pipeline Transportation  
 486000 Pipeline Transportation  
 Scenic & Sightseeing Transportation  
 487000 Scenic & Sightseeing Transportation  
 Support Activities for Transportation  
 488100 Support Activities for Air Transportation  
 488210 Support Activities for Rail Transportation  
 488300 Support Activities for Water Transportation  
 488410 Motor Vehicle Towing  
 488490 Other Support Activities for Road  
           Transportation  
 488510 Freight Transportation Arrangement  
 488990 Other Support Activities for Transportation  
 Couriers and Messengers  
 492110 Couriers  
 492210 Local Messengers & Local Delivery  
 Warehousing and Storage  
 493100 Warehousing & Storage (except lessors of  
           miniwarehouses and self-storage units)  
 Information  
 Publishing Industries  
 511110 Newspaper Publishers  
 511120 Periodical Publishers  
 511130 Book Publishers  
 511140 Database & Directory Publishers  
 511190 Other Publishers  
 511210 Software Publishers  
 Motion Picture and Sound Recording Industries  
 512100 Motion Picture & Video Industries (except  
           video rental)  
 512200 Sound Recording Industries  
 Broadcasting and Telecommunications  
 513100 Radio & Television Broadcasting  
 513200 Cable Networks & Program Distribution  
 513300 Telecommunications (including paging,  
           cellular, satellite, & other  
           telecommunications)  
 Information Services and Data Processing Services  
 514100 Information Services (including news  
           syndicates, libraries, & on-line information  
           services)  
 514210 Data Processing Services  
 Finance and Insurance  
 Depository Credit Intermediation  
 522110 Commercial Banking  
 522120 Savings Institutions

522130 Credit Unions  
 522190 Other Depository Credit Intermediation  
 Nondepository Credit Intermediation  
 522210 Credit Card Issuing  
 522220 Sales Financing  
 522291 Consumer Lending  
 522292 Real Estate Credit (including mortgage  
 bankers & originators)  
 522293 International Trade Financing  
 522294 Secondary Market Financing  
 522298 All Other Nondepository Credit  
 Intermediation  
 Activities Related to Credit Intermediation  
 522300 Activities Related to Credit Intermediation  
 (including loan brokers)  
 Securities, Commodity Contracts, and Other Financial  
 Investments and Related Activities  
 523110 Investment Banking & Securities Dealing  
 523120 Securities Brokerage  
 523130 Commodity Contracts Dealing  
 523140 Commodity Contracts Brokerage  
 523210 Securities & Commodity Exchanges  
 523900 Other Financial Investment Activities  
 (including portfolio management &  
 investment advice)  
 Insurance Carriers and Related Activities  
 524140 Direct Life, Health, & Medical Insurance &  
 Reinsurance Carriers  
 524150 Direct Insurance & Reinsurance (except Life,  
 Health & Medical) Carriers  
 524210 Insurance Agencies & Brokerage  
 524290 Other Insurance Related Activities  
 Funds, Trusts, and Other Financial Vehicles  
 525100 Insurance & Employee Benefit Funds  
 525910 Open-End Investment Funds (Form 1120-  
 RIC)  
 525920 Trusts, Estates, & Agency Accounts  
 525930 Real Estate Investment Trusts (Form 1120-  
 REIT)  
 525990 Other Financial Vehicles  
 Real Estate and Rental and Leasing  
 Real Estate  
 531110 Lessors of Residential Buildings & Dwellings  
 531120 Lessors of Nonresidential Building (except  
 Miniwarehouses)  
 531130 Lessors of Miniwarehouses & Self-Storage  
 Units  
 531190 Lessors of Other Real Estate Property  
 531210 Offices of Real Estate Agents/Brokers

531310 Real Estate Property Managers  
 531320 Offices of Real Estate Appraisers  
 531390 Other Activities Related to Real Estate  
**Rental and Leasing Services**  
 532100 Automotive Equipment Rental & Leasing  
 532210 Consumer Electronics & Appliances Rental  
 532220 Formal Wear & Costume Rental  
 532230 Video Tape & Disc Rental  
 532290 Other Consumer Goods Rental  
 532310 General Rental Centers  
 532400 Commercial & Industrial Machinery &  
 Equipment Rental & Leasing  
**Lessors of Nonfinancial Intangible Assets (except  
 copyrighted works)**  
 533110 Lessors of Nonfinancial Intangible Assets  
 (except copyrighted works)  
**Professional, Scientific, and Technical Services**  
**Legal Services**  
 541110 Offices of Lawyers  
 541190 Other Legal Services  
**Accounting, Tax Preparation, Bookkeeping, and Payroll  
 Services**  
 541211 Offices of Certified Public Accountants  
 541213 Tax Preparation Services  
 541214 Payroll Services  
 541219 Other Accounting Services  
**Architectural, Engineering, and Related Services**  
 541310 Architectural Services  
 541320 Landscape Architecture Services  
 541330 Engineering Services  
 541340 Drafting Services  
 541350 Building Inspection Services  
 541360 Geophysical Surveying & Mapping Services  
 541370 Surveying & Mapping (except Geophysical)  
 Services  
 541380 Testing Laboratories  
**Specialized Design Services**  
 541400 Specialized Design Services (including  
 interior, industrial, graphic, & fashion  
 design)  
**Computer Systems Design and Related Services**  
 541511 Custom Computer Programming Services  
 541512 Computer Systems Design Services  
 541513 Computer Facilities Management Services  
 541519 Other Computer Related Services  
**Other Professional, Scientific, and Technical Services**  
 541600 Management, Scientific, & Technical  
 Consulting Services  
 541700 Scientific Research & Development Services

**541800 Advertising & Related Services**  
**541910 Marketing Res. & Pub Opinion Polling**  
**541920 Photographic Services**  
**541930 Translation & Interpretation Services**  
**541940 Veterinary Services**  
**541990 All Other Professional, Scientific, & Technical Services**  
**Management of Companies (Holding Companies)**  
**551111 Offices of Bank Holding Companies**  
**551112 Offices of Other Holding Companies**  
**Administrative and Support and Waste Management and Remediation Services**  
**Administrative and Support Services**  
**561110 Office Administrative Services**  
**561210 Facilities Support Services**  
**561300 Employment Services**  
**561410 Document Preparation Services**  
**561420 Telephone Call Centers**  
**561430 Business Service Centers (including private mail centers & copy shops)**  
**561440 Collection Agencies**  
**561450 Credit Bureaus**  
**561490 Other Business Support Services (including repossession services, court reporting, & stenotype services)**  
**561500 Travel Arrangement & Reservation Services**  
**561600 Investigation & Security Services**  
**561710 Exterminating & Pest Control Services**  
**561720 Janitorial Services**  
**561730 Landscaping Services**  
**561740 Carpet & Upholstery Cleaning Services**  
**561790 Other Services to Buildings & Dwellings**  
**561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)**  
**Waste Management and Remediation Services**  
**562100 Waste Management & Remediation Services**  
**Educational Services**  
**611000 Educational Services (including schools, colleges, & universities)**  
**Health Care and Social Assistance**  
**Offices of Physicians and Dentists**  
**621110 Offices of Physicians (except mental health specialists)**  
**621112 Offices of Physicians, Mental Health Specialists**  
**621210 Offices of Dentists**  
**Offices of Other Health Practitioners**  
**621310 Offices of Chiropractors**



621320 Offices of Optometrists  
 621330 Offices of Mental Health Practitioners  
 (except Physicians)  
 621340 Offices of Physical, Occupational & Speech  
 Therapists, & Audiologists  
 621391 Offices of Podiatrists  
 621399 Offices of All Other Miscellaneous Health  
 Practitioners  
 Outpatient Care Centers  
 621410 Family Planning Centers  
 621420 Outpatient Mental Health & Substance  
 Abuse Centers  
 621491 HMO Medical Centers  
 621492 Kidney Dialysis Centers  
 621493 Freestanding Ambulatory Surgical &  
 Emergency Centers  
 621498 All Other Outpatient Care Centers  
 Medical and Diagnostic Laboratories  
 621510 Medical & Diagnostic Laboratories  
 Home Health Care Services  
 621610 Home Health Care Services  
 Other Ambulatory Health Care Services  
 621900 Other Ambulatory Health Care Services  
 (including ambulance services & blood &  
 organ banks)  
 Hospitals  
 622000 Hospitals  
 Nursing and Residential Care Facilities  
 623000 Nursing & Residential Care Facilities  
 Social Assistance  
 624100 Individual & Family Services  
 624200 Community Food & Housing, & Emergency  
 & Other Relief Services  
 624310 Vocational Rehabilitation Services  
 624410 Child Day Care Services  
 Arts, Entertainment, and Recreation  
 Performing Arts, Spectator Sports, and Related  
 Industries  
 711100 Performing Arts Companies  
 711210 Spectator Sports (including sports clubs &  
 racetracks)  
 711300 Promoters of Performing Arts, Sports, &  
 Similar Events  
 711410 Agents & Managers for Artists, Athletes,  
 Entertainers, & Other Public Figures  
 711510 Independent Artists, Writers, & Performers  
 Museums, Historical Sites, and Similar Institutions  
 712100 Museums, Historical Sites, & Similar  
 Institutions  
 Amusement, Gambling, and Recreation Industries

**713100 Amusement Parks & Arcades**  
**713200 Gambling Industries**  
**713900 Other Amusement & Recreation Industries**  
(including golf courses, skiing facilities,  
marinas, fitness centers, & bowling centers)  
**Accommodation and Food Services**  
**Accommodation**  
**721110 Hotels (except casino hotels) & Motels**  
**721120 Casino Hotels**  
**721191 Bed & Breakfast Inns**  
**721199 All Other Traveler Accommodations**  
**721210 RV (Recreational Vehicle) Parks &**  
**Recreational Camps**  
**721310 Rooming & Boarding Houses**  
**Food Services and Drinking Places**  
**722110 Full-Service Restaurants**  
**722210 Limited-Service Eating Places**  
**722300 Special Food Services (including food service**  
contractors & caterers)  
**722410 Drinking Places (Alcoholic Beverages)**  
**Other Services**  
**Repair and Maintenance**  
**811110 Automotive Mechanical & Electrical Repair**  
**& Maintenance**  
**811120 Automotive Body, Paint, Interior, & Glass**  
**Repair**  
**811190 Other Automotive Repair & Maintenance**  
(including oil change & lubrication shops &  
car washes)  
**811210 Electronic & Precision Equipment Repair &**  
**Maintenance**  
**811310 Commercial & Industrial Machinery &**  
**Equipment (except Automotive &**  
**Electronical) Repair & Maintenance**  
**811410 Home & Garden Equipment & Appliance**  
**Repair & Maintenance**  
**811420 Reupholstery & Furniture Repair**  
**811430 Footwear & Leather Goods Repair**  
**811490 Other Personal & Household Goods Repair**  
**& Maintenance**  
**Personal and Laundry Services**  
**812111 Barber Shops**  
**812112 Beauty Salons**  
**812113 Nail Salons**  
**812190 Other Personal Care Services (including diet**  
**& weight reducing centers)**  
**812210 Funeral Homes & Funeral Services**  
**812220 Cemeteries & Crematories**  
**812310 Coin-Operated Laundries & Dry-Cleaners**

- 812320 Dry-Cleaning & Laundry Services (except Coin-Operated)
- 812330 Linen & Uniform Supply
- 812910 Pet Care (except Veterinary) Services
- 812920 Photofinishing
- 812930 Parking Lots & Garages
- 812990 All Other Personal Services
- Religious, Grantmaking, Civic, Professional, and Similar Organizations
- 813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations

*(State Board of Tax Commissioners; 50 IAC 4.3-13-1)*

#### **Rule 14. Prescribed Methods of Valuation; Specific Types of Property**

**50 IAC 4.3-14-1 Assessment of nonmotorized boats, recreational vehicles, pickup truck campers, snowmobiles, off-road vehicles, self-propelled motor homes, nonfactory produced units (homemade)**

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31; IC 8-2-261; IC 14-16-1-3

**Sec. 1. (a)** Pursuant to 50 IAC 4.3-7, this rule is promulgated to instruct assessing officials and affected taxpayers in the proper procedure for determining the true tax value of types of personal property not used in business and nondepreciable (not allowable) for federal income tax purposes.

**(b)** The types of property to be valued under this rule will usually be owned by an individual not engaged in business and are reportable on Form 101. The assessor is required to verify the true tax value of such property as reported by the taxpayer.

**(c)** A taxpayer may report applicable values established by such nationally recognized publications as the “Recreational Vehicle & Van Conversion Blue Book”, published by National Marketing Reports, for valuing these types of property. Applicable values consistent with, or supported by, the data reflected in the edition of such a nationally recognized publication, that is in effect on March 1 of the year in which the assessment is made, will be deemed appropriate.

**(d)** The “As is” value as listed in such a publication shall be the basis for valuations. If no “As is” value is listed, the retail or market value shall be used.

**(e)** In the event a particular make or model is not included in any such nationally recognized publication, or on a list of unit valuations issued by the state board, such personal property shall be valued at its true tax value. The true tax value shall be the cost less a reasonable allowance for depreciation.

**(f)** All units that are owned, held, possessed, or controlled by a manufacturer or dealer of the type of personal property described in this section, shall be valued as inventory pursuant 50 IAC 4.3-5.

**(g)** This section shall not be used for the valuation of units used in the ordinary operation of a trade or business. In such cases, units shall be valued under 50 IAC 4.3-4, and reported in the pools of Schedule A on Form 102 or Form 103.

**(h)** The only boats assessable on Form 101 are human powered boats. This includes rowboats, canoes, and other nonmotorized boats, excluding sailboats.

**(i)** Pertaining to the definitions set forth under IC 8-2-261 and IC 14-16-1-3, snowmobiles and off-road vehicles are subject to assessment as personal property on Form 101. The lack of a registration certificate does not render this type of personal property nonassessable. *(State Board of Tax Commissioners; 50 IAC 4.3-14-1)*

## **Rule 15. Severability**

### **50 IAC 4.3-15-1 Severability**

**Authority:** IC 6-1.1-31-1

**Affected:** IC 1-1-1-8

**Sec. 1. If any part of this article, or the application thereof to any person or circumstance, is held invalid, such invalidity shall not affect any other parts of this article or the application thereof which can be given effect without the invalid part, and to this end the provisions of this article are severable.** (*State Board of Tax Commissioners; 50 IAC 4.3-15-1*)

SECTION 2. THE FOLLOWING ARE REPEALED: 50 IAC 4.2-1; 50 IAC 4.2-2; 50 IAC 4.2-3-1; 50 IAC 4.2-3-2; 50 IAC 4.2-3-3; 50 IAC 4.2-4; 50 IAC 4.2-5; 50 IAC 4.2-6; 50 IAC 4.2-8; 50 IAC 4.2-9; 50 IAC 4.2-10; 50 IAC 4.2-11; 50 IAC 4.2-12; 50 IAC 4.2-14; 50 IAC 4.2-15; 50 IAC 4.2-16.

SECTION 3. **SECTION 2 of this document takes effect March 1, 2002.**

*Signature page for:*

**FINAL RULE**  
**LSA Document #00-284(F)**

The foregoing final rule was approved and adopted by a vote of \_\_\_\_\_ at a meeting of the State Board of Tax Commissioners convened at 2:00 p.m. on November 6, 2001.

STATE BOARD OF TAX COMMISSIONERS

\_\_\_\_\_  
Jon Laramore, Chairman

ATTEST:

\_\_\_\_\_  
Bill Waltz, Executive Secretary

\_\_\_\_\_  
Date

APPROVED AS TO LEGALITY:

\_\_\_\_\_  
Steve Carter, Attorney General

\_\_\_\_\_  
Date

APPROVED:

\_\_\_\_\_  
Frank O'Bannon, Governor

\_\_\_\_\_  
Date

FILED:

\_\_\_\_\_  
Sue Anne Gilroy, Secretary of State

\_\_\_\_\_  
Date